

EXHIBIT 12



THE CITY OF SAN DIEGO
MANAGER'S REPORT

DATE ISSUED: March 18, 2002 **REPORT NO.** 02-061

ATTENTION: The Committee on Rules, Finance and Intergovernmental Relations
Agenda of March 20, 2002

SUBJECT: Response to the Blue Ribbon Committee Report

REFERENCE: Blue Ribbon Committee Report on City of San Diego Finances - February
2002

SUMMARY

Issue: Should the City of San Diego implement the Blue Ribbon Committee's recommendations for the City's continued fiscal health?

Manager's Recommendations: Analyze the Blue Ribbon Committee's recommendations and return to the City Council with proposed implementation strategies.

Other Recommendations: None

Fiscal Impact: Several of the Blue Ribbon Committee's recommendations will require additional funding that will need to be identified in conjunction with the development of solutions to the issues raised by the Committee.

BACKGROUND

In April 2001, the Mayor convened the Blue Ribbon Committee on City Finances to perform an independent evaluation on the City's current fiscal health and make appropriate recommendations. The objectives of the Committee were to perform an independent evaluation of the fiscal health of the City of San Diego, review the budgeting principles of the City of San Diego, and report findings and recommendations to Mayor Dick Murphy.

Overall, the Committee found that the City is fiscally sound. However, it identified several areas of concern which could potentially have an impact on the fiscal health of the City in future years. The areas of concern included General Reserves and Insurance, Retirement Benefits and

Unfunded Pension Liabilities, General Deferred Maintenance and Unfunded Procurement, Revenues and Expenditures, and Principles of Budgeting and Finance.

The City Manager agrees with the Committee's recommendations and consistent with the Blue Ribbon Committee's suggestion, will return with a progress report to the Rules Committee in March 2003. Prioritization of each recommendation will be based on the impact to the General Fund, availability of resources, time for completion, and the opportunity to improve the City's fiscal health.

DISCUSSION

The Blue Ribbon Committee Report made ten recommendations to improve the fiscal health of the City of San Diego. The Blue Ribbon Committee Report is attached. This City Manager's Report is in response to the Blue Ribbon Committee Report and lists each Blue Ribbon Committee recommendation and the methods the City Manager proposes to implement these recommendations.

General Reserves and Insurance

Blue Ribbon Recommendation #1: Evaluate and determine what an adequate reserve level is for the City. The Committee recommends increasing the reserves to be between 7-10% of General Fund Revenues.

It is understood that San Diego must have sufficient funds in reserve that are available in a time of fiscal crisis to cover unplanned short-term economic downturns or address emergency situations. The City's General Reserves have more than doubled since 1997 and are currently \$30.5 million (approximately 4% of the Fiscal Year 2002 General Fund revenues). The City Manager will evaluate the current reserves and develop recommendations. The City Manager agrees that total General Reserves should be monitored to ensure that a sufficient reserve is maintained.

Retirement Benefits and Unfunded Pension Liabilities

Blue Ribbon Recommendation #2: Change the City's Funding strategy to one that results in the City fully funding its future obligations earned today which includes the pension benefits as well as health benefits.

Blue Ribbon Recommendation #3: Obtain a current and comprehensive analysis of projected pension expenses and revenue sources, which includes the current present value of retiree health benefits to determine the impact on future City finances.

The City Manager agrees that unfunded retiree health benefits will continue to be a liability against future revenues. The City Manager will ask the City Retirement Officer to assist the City in obtaining a comprehensive analysis of the Blue Ribbon Committee's recommendations. Upon completion of the analysis, the City Retirement Officer and the City Manager will present to the Mayor and City Council the results of the analysis and recommendations where appropriate.

General Deferred Maintenance and Unfunded Procurement

Blue Ribbon Recommendation #4: The City Manager should establish a process so that all deferred maintenance and unfunded procurement information is developed, aggregated, consistent, complete, non-duplicative, rated for priority, and is available on call for budgetary decisions.

Blue Ribbon Recommendation #5: The City Manager should prepare and present a public report during the annual budget hearings identifying the cumulative deferred maintenance backlog and unfunded procurement needs which includes asset descriptions, dollar requirements, and categorized by level of need with funding sources.

The City Manager concurs that physical assets require periodic major maintenance and that a comprehensive inventory would assist in prioritizing projects. In order to assess the magnitude of maintaining and/or replacing major capital items, the City Manager will explore opportunities to develop a consistent and non-duplicative ongoing assessment of all City assets so that information will be available annually during budget hearings. Although these efforts will be initiated at this time, the development of a comprehensive list may not be available in time for the Fiscal Year 2003 budget hearings.

During the past year, the General Services Department has addressed two important aspects of the issues raised by the Committee. First, the City's non-public safety fleet was evaluated relative to size and condition. As a result, the fleet was downsized by approximately 150 vehicles thus saving \$1 million annually, and the acquisition program was restructured utilizing lease-purchases to insure timely replacement of fleet vehicles. This restructuring resulted in a one-time savings of \$2 million, which will be returned to the General Fund in Fiscal Year 2003.

Secondly, an assessment of the City's buildings was undertaken approximately eight months ago. This assessment will update the 1990 study evaluating the condition of the City facilities and placing a value on the deferred maintenance of those facilities. In addition to the update of the earlier report it will provide a guide in developing a consistent and accurate ongoing assessment of all City facilities.

Blue Ribbon Recommendation #6: The City's policy with respect to funding deferred maintenance and Information Technology procurement should be revised to increase expenditures in these crucial areas. While the Committee notes some improvement in addressing deferred maintenance needs in some specific areas, other areas continue to deteriorate.

The Committee believes that the City's backlog of general deferred maintenance exceeds \$300 million. In addition, the City estimates \$120 - \$170 million in Information Technology needs over the next five years. The City Manager will make funding recommendations in the annual budget process based upon the deferred maintenance assessments, unfunded procurement priorities, availability of revenues and overall budget priorities.

Revenues and Expenditures

Blue Ribbon Recommendation #7: Expand the current revenue sources and seek additional sources of revenue.

In comparison to other large cities in California and the nation, the City has a relatively low revenue base. Despite efforts during recent years to incorporate new General Fund revenue

options into the City's budget, such as the Corporate Sponsorship Program, which was instituted in Fiscal Year 2000, San Diego has assessed few new fees and has adopted no additional tax increases to existing General Fund revenues. The only significant new fees or revenue increases were the implementation of the Refuse Collector Business License Tax, and the increase in the Transient Occupancy Tax rate from 9 percent to 10.5 percent, which were adopted during the 1990s. In addition, the City has actually reduced some fees in an effort to become more business-friendly.

The City of San Diego does not collect revenue for refuse collection and utility user taxes. In addition to the City's low revenue base, for fiscal years 1991-2002 the State of California diverted approximately \$283 million of revenue away from the City of San Diego. This diversion has lowered the City's revenue base thus contributing to the deferred maintenance issue. In 1990, two of the major General Fund revenue sources, Property Tax and Sales Tax, were sufficient to fund the entire public safety budget; however, today these revenue sources cover only 80 percent of public safety allocations. Additional revenue could help fund general City operations, public safety, deferred maintenance, information and technology, and the Strategic Framework Element of the General Plan Update including the City of Villages concept.

In light of the current recession, the City of San Diego may want to consider revenue-generating options, which may include new assessments such as a Refuse Collection Fee and Utility User Tax and increases to existing revenue sources such as the Storm Drain Fee, Property Transfer Tax, Transient Occupancy Tax, and Sales Tax. The City Manager will work with the Mayor, City Council and key stakeholders to explore options for expanding the City's revenue base.

Blue Ribbon Recommendation #8: Seek ways to reduce expenditures through improved operational efficiencies or elimination of specific services in deference to higher priority needs.

The City has reduced expenditures and improved operational efficiencies by implementing its Performance Management Program and establishing the Select Committee on Government Efficiency & Fiscal Reform (Select Committee). The key elements of the Performance Management Program include Performance-Based Budgeting, the Optimization Program, Zero-Based Management Reviews (ZBMR), Performance Audits and benchmarking. Since 1994, the ZBMR and Optimization Program have served to stimulate numerous process improvements, cost reduction initiatives, and has saved the City over \$100 million. The Select Committee also charged with initiating change efforts and finding innovative solutions for streamlining and downsizing city government, has been effective in implementing recommendations from the Mayor's Task Force, the City Council, and other committees.

In addition, the City Manager for fiscal years 2002 and 2003 requested that General Fund departments take a critical look at their operations and achieve at least a 2% expenditure savings. The City Manager will continue to review expenditures and pursue opportunities to improve operational efficiencies with the support of the above ongoing programs. Additionally, all City of San Diego services will be reviewed by the City Manager to identify funding priorities in light of limited revenue sources.

Principles of Budgeting and Finance

Blue Ribbon Recommendation #9: The City should follow its existing six budget principles and add two additional budget principles:

Proposed Principle #7: Budget development should be guided by a long term, or

strategic budget plan proposed by the Manager and adopted by the Council.

Proposed Principle #8: Once adopted, annual budgets should be amended only when urgency requires, and then by identifying specific funding sources for these new priorities.

The City Manager will add these principles and incorporate them into future budget development and administration.

Follow-up Issues

Blue Ribbon Recommendation #10: Submit a report in March of 2003 addressed to the Blue Ribbon Committee on Finances summarizing the progress on each recommendation contained in [the] report.

Consistent with the Blue Ribbon Committee's recommendation, a comprehensive report will be presented to the Rules Committee in March 2003, which will provide the status of the implementation of the Blue Ribbon Committee's recommendations.

CONCLUSION

I would like to take this opportunity to thank the members of the Blue Ribbon Committee for their objective analysis and recommendations to ensure the City's continued fiscal strength. I agree in general with the recommendations and anticipate working with the Mayor, City Council and key stakeholders in consideration of implementing the recommendations as provided by the Blue Ribbon Committee.

Respectfully submitted,

Michael T. Uberuaga
City Manager

IRVINE/CMC

Note: The attachment is not available in electronic format. Copies of the attachment are available for review in the Office of the City Clerk.

Attachment A – Blue Ribbon Committee Report on City of San Diego Finances – February 2002

EXHIBIT 13

Mary

SAN DIEGO CITY EMPLOYEES RETIREMENT SYSTEM

Date Issued: February 5, 2003

Attention: City Council Committee on Rules, Finance and Intergovernmental Relations

Subject: Response to the Blue Ribbon Committee Report on City Finances dated February 2002 Regarding Pension and Health Insurance Funding

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE COMMITTEE OR THE CITY COUNCIL.

Background

In February 2002, the Mayor's Blue Ribbon Committee on City Finances issued its report. Among the recommendations were two related to the City's funding of its pension and health insurance obligations for retired City employees. The City Manager has asked the San Diego City Employees Retirement System (SDCERS) to review the Blue Ribbon Committee's Report and recommendations, and comment on projected pension expenses, revenue sources and the current present value of retiree health benefits.

The Board of Administration of SDCERS has been studying these issues with its actuary for the past several months. The declining investment market over the past three years, along with changes in benefits such as the addition of the Corbett settlement liability, have dramatically impacted the funding level of the Retirement Fund. In addition, since 1996, the City has been making its contributions to the Retirement Fund under a negotiated agreement known as the Manager's Proposal. The Proposal allows the City to make its required annual contribution to the Fund at a rate less than the rate calculated by the actuary. As a result of these factors, the Retirement Fund is at its lowest funded ratio (assets to liabilities) in well over a decade, and the compounding effect of a less than full-actuarial contribution policy has impacted the current and future strength of the City's Retirement Fund.

Discussion

SDCERS provides retirement benefits for approximately 4,570 retirees of the City of San Diego and another 260 retirees of the Unified Port District (UPD). In addition, SDCERS invests and administers the Retirement Fund for the future pension benefits of approximately 13,650 active employees of the City of San Diego and the UPD. Beginning January 1, 2003, SDCERS will also include the Airport Authority and its approximately 200 employees as members in the Retirement Fund. As of the end of the most recent Fiscal Year (6/30/02), the Fund had total assets of \$2.53 Billion dollars invested in a well-diversified portfolio representing all of the major asset classes. Based on the annual Actuarial Valuation of June 30, 2002, the Retirement Fund's actuarial accrued liability for all current and future retiree's of the City of San Diego was \$3.17 Billion Dollars. The shortfall between Total Assets and Total Liabilities of over \$720 million (based on the actuarial value of assets) means the Retirement Fund would not be able to pay 100% of its required pension obligations, absent additional funding by the City, were the City to close its doors today and immediately begin paying all City employees their accrued retirement benefits.

Of course, the City is not like a private company that could conceivably go out of business in a single day. That is why SDCERS approaches its fiduciary responsibility to ensure the safety and soundness of the Retirement Fund with a longer-term horizon. While today's funding shortfall is a concern, the more important analysis centers on 1) whether or not the City is taking sufficient steps to fully fund its future pension obligations; 2) whether or not the City should actuarially account for future retiree health benefits; and 3) the projected costs of funding these benefits given expected changes in the employee and retiree demographics.

1. Pension Obligations

The City funds the Retirement Fund by making annual Employer Contributions, and by paying a portion of the Employees' Contribution as negotiated through the Meet & Confer process. This latter contribution is known as the Offset contribution. The City also makes an annual contribution for those Members who enter an alternate benefit program known as the Deferred Retirement Option Program (DROP). The City's contributions help support two different types of pension obligations: vested benefits which, once conferred, cannot be diminished and contingent benefits that are only paid if the Retirement Fund experiences "excess" realized earnings in a given year.

In calculating future pension obligations, actuarial science recognizes several different methods for funding this future obligation. The method currently being used by the City of San Diego is the Projected Unit Credit (PUC) funding method. This method evaluates the future actuarial liability of the covered population as a total group based on certain funding objectives, calculations and assumptions. Another actuarial funding method, Entry Age Normal (EAN), evaluates the projected benefit of each individual in the covered population

based on the individual's entry age and assumed exit age. The EAN method is recognized as a more conservative means of funding future actuarial liability.

Based on the PUC funding method, the Retirement Fund's ratio of actuarial assets to liabilities as of June 30, 2002 was 77.3%. This means that if the City had to suddenly pay the accrued retirement benefits for all of the current active members in the Retirement Fund (approximately 12,600 individuals) along with the monthly retirement benefits it is currently providing to the approximately 4,500 current retirees, the City and the Retirement Fund would be "short" approximately \$720 million as of the June 30, 2002 actuarial market value of assets. This \$720 million is known as the Unfunded Actuarial Accrued Liability of the Fund. This unfunded liability has been increasing in recent years for two primary reasons: the investment performance of the Fund has declined dramatically in the past two years compared to investment performance in previous years, and the City's contribution rate under the Manager's Proposal permits an annual contribution less than the actuarially calculated contribution rate necessary to cover the present value of benefits (the Normal Cost) and future actuarial cost of these benefits (the Unfunded Actuarial Accrued Liability). The following charts illustrate these points:

HISTORY OF INVESTMENT RETURNS

	Year Ending 6/30/98	Year Ending 6/30/99	Year Ending 6/30/00	Year Ending 6/30/01	Year Ending 6/30/02
Fund's Total Return	+14.62%	+9.53%	+14.93%	-0.45%	-2.48%
Avg Public Fund's Total Return	+17.60%	+10.82%	+9.45%	-4.06%	-5.15%
Fund's Percentile Ranking	94%	56%	6%	17%	14%
Fund's Target Rate of Return (Actuarial Rate)	8.00%	8.00%	8.00%	8.00%	8.00%
Fund's Realized Earnings	\$246.1 Million	\$189.3 Million	\$415.9 Million	\$168.0 Million	\$51.2 Million

HISTORY OF EMPLOYER CONTRIBUTION SHORTFALL

Fiscal Year End	City Employer Contribution Rate	Actuarial Contribution Rate	Contribution Shortfall (in millions)
6/30/1998	7.83%	10.87%	\$11.1
6/30/1999	8.33%	10.86%	\$9.7
6/30/2000	8.83%	11.48%	\$10.6
6/30/2001	9.33%	11.96%	\$11.2
6/30/2002	9.83%	12.58%	\$12.3
6/30/2003	10.33%	15.59%	\$25.3
TOTAL	CUMULATIVE	IMPACT	\$80.2
TOTAL	COMPOUNDED	IMPACT (8%)	\$102.1

2. Contingent Benefit Obligations

The decline in investment performance of the Fund over the past two years has also impacted the Fund's realized earnings and therefore the payment of Contingent Benefits. Contingent Benefits, which include the 13th check for current retirees and the increase in annual retirement benefits required by the settlement of the Corbett lawsuit in 1997 (the Corbett Payment), are not part of the actuarially computed contribution rate or the City's contribution rate. These benefits are only paid if, at the end of any fiscal year, the Fund has sufficient positive or "excess" earnings to begin paying these benefits in the order prescribed by the Municipal Code. Prior to the most recent year, these Contingent Benefits have been paid each year since they were first approved as contingent benefits. In the case of the 13th check, the Retirement Fund has been paying this benefit since the early 1980s. However, last year, with the Retirement Fund realizing \$51 million in earnings, there were insufficient "excess" earnings to make the 13th check payments (approximately \$3.8 million annually), or the Corbett payments (approximately \$5.5 million annually). Instead, last year's realized earnings, as mandated by the Municipal Code, were used to pay interest at the actuarial 8% rate of return to the employer, employees' and DROP accounts, and to pay the administrative and investment expenses of the Fund. The City Council did, however, authorize a one-time payment of the 13th check from Retirement Fund reserves in 2002. The Corbett payment, under the terms of the lawsuit, is accrued in any year in which

it is not paid, and becomes an obligation of the City to pay in the following year from realized earnings. Thus, in 2003, the Corbett payment will be approximately double this year's estimated payment of \$5.5 million, and will continue to accrue and "rollover" as an obligation of the City until paid. Because of this requirement, some have argued that the Corbett payment should not be treated as a "contingent" benefit, and should be "priced" and included in the actuarially computed contribution rate of the Fund.

In addition to the Contingent Benefits described above, two other benefits are impacted by "excess" earnings. These are the Supplemental COLA Reserve and the Employee Contribution Rate Reserve. The Supplemental COLA provides those retirees who retired on or before June 30, 1982 with an amount necessary to increase their benefit to a level equal to 75% of the purchasing power of the dollar they retired with. This Reserve was initially created in 1998 and funded with \$35 million dollars from "excess" earnings that year. It has been credited with interest at 8% from "excess" earnings, when available. Interest was not credited in 2002, and may not be for the next several years. Even without future interest crediting, the Supplemental COLA Reserve is projected to be sufficient to pay the existing benefit until at least 2009, although no increases in this benefit would be possible.

The Employee Contribution Rate Reserve was also created in 1998 and funded with \$35 million dollars from "excess" earnings that year. The Reserve's purpose is to fund the City's portion of the Employees Contribution (the Offset) as negotiated each year between the City and its Labor Unions. The Reserve has been credited with interest at 8% from "excess" earnings, when available. Originally, the City's Employee Contribution Offset rate was 0.49% of payroll. This was increased to 0.65% of payroll in 2000. Until recently, interest crediting from "excess" earnings each year actually exceeded the amount transferred out to pay the Offset, and the Reserve has increased. However, no interest was credited in 2000, and may not be for several years.

The Offset rate was increased through the Meet and Confer process to 1.7% of safety payroll effective July 1, 2002, and an additional 1.0% of safety payroll and 1.6% of general payroll effective July 1, 2003. Without interest crediting, we estimate that the Employee Contribution Rate Reserve will be depleted in two to three years, and the annual payment will be approximately \$16 million dollars. At that time, the City and its Labor groups will have to negotiate whether or not the City will continue its Offset payments at the currently negotiated percentages of projected payroll.

3. Retiree Health Insurance Obligations

The City currently pays for Retiree Health Insurance on a "pay-as-you-go" basis which is the way the majority of governmental agencies pay for this benefit. The cost for retiree health insurance is not part of the actuary's

pension funding calculations, and, therefore, is not funded as part of the City's Employer Contribution rate. Over the years, "excess" earnings from the Retirement Fund have been set aside in the Retiree Health Insurance Reserve to pay the health insurance premiums for eligible retirees based on the City's agreements negotiated through the Meet and Confer process. Last year, approximately \$10 million dollars was paid to cover retiree health insurance premiums. The Retirement Fund has approximately \$30 million in its Retiree Health Insurance Reserve. Assuming an annual health insurance cost increase of 10% and current benefit levels, this reserve will be depleted in approximately two to three years absent any replenishment. The Municipal Code does call for a contribution to this reserve when the Fund's "excess" earnings are sufficient in any given year to make a contribution. However, if investment performance does not improve in the next few years such that "excess" earnings of the Fund are insufficient to replenish the Retiree Health Insurance Reserve, the City will have to either reduce the health insurance benefit, or begin paying for the retirees' health insurance premiums from sources other than the Retirement Fund.

In addition, SDCERS' Actuary has estimated that the present value of the liability for paying the health insurance premiums for current active members in the Plan who have not yet retired is in the neighborhood of \$1.1 billion dollars. This future liability, if it is deemed to be a contractual right of all current active City employees, remains unaccounted for in terms of the funding of the Retirement Fund. Unless it is included in the actuarially computed contribution rate for the Fund and the City's Contribution Rate under the Manager's Proposal, or unless earnings from the Fund return to sufficient levels to create on-going "excess" earnings, this potential future liability of the City would have to be paid for from other sources.

4. Projected Costs of Pension, Contingent and Health Benefits

The Mayor's Blue Ribbon Committee on City Finances raised concerns about the City's funding of its pensions benefits and health benefits, and recommended that the cost of these benefits be fully accounted for in the City's current and future budgeting process. In analyzing the Committee's concerns, it is best to separate the City's obligations and projected future costs into three components: pension obligations, contingent benefit obligations and health benefit obligations.

a) Projected Pension Obligations

Effective July 1, 2002, SDCERS' Retirement Board and the City of San Diego agreed to revise and update the funding arrangement under the original Manager's Proposal. The revised agreement, known as Manager's Proposal II, requires the City to reach a contribution rate equal to the full actuarially computed rate using the PUC funding method by 2009 if the funded ratio of the Fund falls below 82.3%. This funding "trigger" event has occurred as of the

Fund's June 30, 2002 actuarial valuation. Given this fact, under Manager's Proposal II, the City's contribution rate will increase each year between now and 2009. One projection of this increase is shown in the table below. It assumes that City payroll will increase 4.25% per year between now and 2009, that the actuarial contribution rate will increase 3% next year and 1% per year thereafter, and that investment returns will be weak for at least several years:

PROJECTED PENSION FUNDING COSTS

Fiscal Year	City Employer Contribution	% of Payroll	Actuarial Contribution Rate (PUC)
2004	\$76 million	13.43%	21.13%
2005	\$92 million	15.57%	24.13%
2006	\$111 million	17.96%	25.13%
2007	\$133 million	20.68%	26.13%
2008	\$160 million	23.91%	27.13%
2009	\$197 million	28.13%	28.13%

In addition to this basic pension funding, the City also pays for a portion of the Employees' Contribution (the Offset) and makes a contribution to the DROP accounts. Using the same payroll increase assumptions as above, and assuming that the Employee Contribution Reserve fund will be depleted by 2006 and, therefore, the City's Offset contribution will be reduced in that year going forward, the total City contributions into the Retirement Fund project out as follows:

PROJECTED TOTAL CITY CONTRIBUTIONS (IN \$MILLIONS)

Fiscal Year	ER Contribution	EE Contribution	DROP Contribution	Total Contribution	% of Payrolls
2004	\$76	\$31	\$1.3	\$108.3	17.8%
2005	\$92	\$34	\$1.4	\$127.4	20.0%
2006	\$111	\$36	\$1.4	\$148.4	22.4%
2007	\$133	\$38	\$1.5	\$172.5	24.9%
2008	\$160	\$39	\$1.6	\$200.6	27.9%
2009	\$197	\$41	\$1.6	\$239.6	31.8%

Although Manager's Proposal II will bring the City's contribution rate to the full actuarial rate using the PUC method in 2009, it is estimated that the Retirement Fund will still not be fully funded in 2009. Part of the reason for this is due to the contribution shortfall that began with the original Manager's Proposal in 1996. This contribution shortfall is projected to be in excess of \$423 million by 2009 assuming an 8% rate of return on the difference between the dollars the City has been and will contribute under both Manager's Proposals I and II, and the dollars that would be contributed using the actuarially computed contribution rate.

b) Projected Contingent Benefit Obligations

The estimated annual cost of the 13th check (\$3.8 million), the Corbett Payment (\$5.5 million) and the Retiree Health Insurance Premiums (\$10 million) combine for an annual cost of \$19.3 million. Assuming the costs for the 13th check and the Retiree Health Insurance Premiums increase by 5.5% per year, and that the Corbett payment remains constant each year, the City's annual cost to pay for these contingent benefits in 2009 would be approximately \$57 million (assuming there are no "excess" earnings to pay these benefits in the intervening years). As mentioned earlier, the contingent nature of each of these three benefits is slightly different. The 13th check is only required to be paid if there are sufficient "excess" earnings to do so in a given year. The benefit has been paid each and every year since 1980. Last year, when there were not sufficient excess earnings to pay this benefit, retirees lobbied the City Council to use a reserve account within the Retirement Fund to pay the benefit, and the City Council approved this request. It is unlikely that this year's 13th check will be paid in November because we project that there will not be sufficient excess earnings.

Payment of the Retiree Health Insurance premiums is negotiated through the Meet and Confer process. The \$10 million annual cost should increase in future years due to the ever-increasing cost of the City's various health insurance programs. The Retirement Fund has been paying these premiums on behalf of the City out of reserves specifically set up for this purpose. We estimate these reserves will be depleted by 2006 at which time the City will have to pay for these premiums from other funds. By that time, assuming a compounded 5.5% increase in costs, we estimate that the Retiree Health Insurance premiums will be approximately \$15 million dollars annually.

Finally, the Corbett payment is the least "contingent" of the contingent benefits. That is because the legal settlement requires the payment of this benefit to retirees whether or not there are sufficient excess earnings. In a year where there are not sufficient excess earnings to make this approximately \$5.5 million annual payment to retirees, as was the case in 2002, the payment accrues to the following year. Thus, at the end of this year, the Corbett payment obligation will be approximately \$11 million. There is no requirement to pay

interest on an accrued Corbett payment, so the projected amount of the Corbett payment expense to the City in 2009 assuming there are insufficient "excess" earnings in the Retirement Fund until then would be approximately \$38.5 million dollars.

c) Projected Health Benefit Obligations

It is important to distinguish between the City's costs to pay the premiums for current retiree's health insurance from the potential future liability of the City to pay for the same health insurance coverage for existing active employees when they retire. In the most recent Meet and Confer session, the retiree health benefit was modified to index any future Retiree Health Insurance premium reimbursements to a national health expenditure formula, with an annual increase cap of 10%. Using an assumption that health costs will continue to increase at least 10% per year, and that the corresponding cost of health insurance premiums will also increase at a similar pace, we estimate that the average City reimbursement of the highest retiree health insurance premiums could increase from the current \$500 per month to \$1,000 per month by 2009. This would balloon today's \$10 million dollar annual payment for current retirees to over \$60 million dollars based on today's retiree population of approximately 5,000 health eligible retirees. The Fund's Actuary, using very simple assumptions and basic calculations, has estimated that the present value of the liability just for today's health insurance eligible retirees is in the vicinity of \$400 million.

Projecting the City's cost to pay for the health insurance of active employees when they retire is certainly more difficult. On the assumption that the current benefit structure for health insurance as stated in the Municipal Code does not change, and using the same assumptions on future health costs that were applied to the retiree population, the Fund's Actuary has estimated the present value of the City's liability for today's active employees' health insurance benefits is in the neighborhood of \$750 million.

Thus, taken as a group, the City's future liability to cover the health insurance reimbursements of its retirees and active employees is in excess of \$1.1 billion dollars. The City is not making any contributions to the Retirement Fund today for this liability, nor is the Fund's Actuary pricing the cost of this benefit and future liability in calculating the actuarial contribution rate of the Fund. Absent a change in the benefit and the Municipal Code, and a dramatic decrease in future health insurance costs, the City of San Diego could be facing significant funding obligations to cover this benefit in future years. The Retirement Fund would not be a resource for this payment absent increases in current contribution payments to include and cover this significant future liability.

Conclusion

Future scenarios are difficult to predict, and it's important to remember that the City's Retirement Fund is \$2.5 billion dollars strong and will continue to provide monthly retirement benefits to current retirees and to current City employees when they retire. The performance of the investment markets over the past three years has definitely impacted the earnings of the Fund; and consequently impacted the Fund's ability to pay contingent benefits. The investment decline has also been the primary contributor to the Fund's declining funding ratio in recent years. However, under Manager's Proposal II, the City is committed to achieving the full PUC actuarial rate contribution by 2009 and moving quickly to funding at the EAN actuarial rate thereafter. These steps will eventually improve the Retirement Fund's funding ratio. While the short-term horizon may continue to bring "weak" investment returns, it's important to remember that the Retirement Fund's 10-year average annual return for the period ending June 2002 was 9.26%. This is well above the actuarially assumed rate over this same time period of 8%. The projections in this report have assumed that investment returns may not be sufficient to pay some or all of the various contingent benefits between now and 2009. If this projection holds true, then the City will have to assess whether or not it wishes to fund these benefits from other sources and pay the contingent benefit that continues to accrue (the Corbett payment) from increased contributions.

With regard to health insurance, the current "pay-as-you-go" approach will almost certainly require either a change in this benefit or funding from sources other than the Retirement Fund and its reserves in the not too distant future. Given the dramatic rise in health insurance costs predicted by the experts, the City of San Diego might want to consider beginning to fund the future liability of health insurance for current retirees and future retirees as part of its annual employer contribution to the Retirement Fund.

EXHIBIT 14

**CITY OF SAN DIEGO
MEMORANDUM**

DATE: April 12, 2002

TO: Honorable Mayor and City Council

FROM: Cathy Lexin, Human Resources Director
Elmer Heap, Deputy City Attorney

SUBJECT: Closed Session Meet and Confer Agenda for April 15, 2002
FOR CONFIDENTIAL USE ONLY

AGENDA

- | | | |
|----|---|-------------|
| 1. | Status of Negotiations | INFORMATION |
| | Police Officers Association
Fire Fighters' Local 145
Municipal Employees Association
AFSCME, Local 127 | |
| 2. | Management Team Recommendations | ACTION |
| | A. Term of Agreement | |
| | B. Economic Proposals | |
| | - Wages | |
| | - Miscellaneous Compensation Adjustments | |
| | - Retirement "Pick-up" | |
| | - Retirement Formula | |
| | - Flexible Benefits | |
| | C. Proposed Funding | |
| | - General Fund | |
| | - Non-General Fund | |
| | - Retirement | |
| | D. Impacts | |
| | - Motor Vehicle License Fee Impact | |
| | - Parity | |
| 3. | SB 402 - Binding Arbitration Status Report | INFORMATION |
| 4. | Discussion of Next Steps | INFORMATION |
| 5. | Economic Data (Appendix) | INFORMATION |

EXHIBIT 15

City of San Diego

Meet & Confer 2002

Closed Session

April 15, 2002

Meet & Confer 2002

AGENDA

1. Status of Negotiations (Info) ✓
2. Management Team Recommendations for
Final Economic Bargaining Authority (Action) ✓
3. Next Steps (Info)
4. SB402 – Binding Arbitration (Info)
5. Economic Data (Info)



Meet & Confer 2002

Status of Negotiations

Union's Initial Salary Proposals

POA	8%	+	8%
Local 145	5%	+	5%
MEA	5.6%		
Local 127	8%		

City's Initial Economic Proposals

FY03	1% Salary Increase	12/2002*
	+ \$100 Flex	7/2002
FY04	2% Salary Increase	12/2003*
	+ \$100 Flex	7/2/2003

*Contingent upon no loss of MVLF

3



Meet & Confer 2002

Status of Negotiations

All Four Labor Unions

- Very negative reactions to MVLF contingency on City's economic proposals
- No economic movement by either side
- Discussions on numerous policy issues
- Growing frustration from lack of progress

4



Meet & Confer 2002

Status of Negotiations

POA

- Strong interest in a multi-year agreement
- Maintaining formal negotiating posture
- May be posturing to pursue Binding Arbitration
- Economic expectations high

5



Meet & Confer 2002

Status of Negotiations

Local 145

- Strong interest in a multi-year agreement with deferral of general fund cost impacts
- Clear interest in pursuing “informal” posture to accelerate the process to reach agreement
- High expectations on economic issues

6



Meet & Confer 2002

Status of Negotiations

MEA

- Negotiations low-key to date
- Interest in improving "standard of living"
- Parity with POA/Local 145
- Focus on Special Salary Adjustments and Retirement Formula enhancement
- Open to multi-year agreement

7



Meet & Confer 2002

Status of Negotiations

Local 127

- Demand to increase economic well-being
- Pent-up demand to address operational issues
- Parity with Police/Local 145
- Retirement Enhancements & Flex important
- Engaging in public/media demonstrations

8



Meet & Confer 2002

AGENDA

1. Status of Negotiations (Info)
2. *Management Team Recommendations for Final Economic Bargaining Authority* (Action)
3. Next Steps (Info)
4. SB402 – Binding Arbitration (Info)
5. Economic Data (Info)

9



Meet & Confer 2002

Management Team Recommendations

Considerations

- Term
- Economic Proposals
- Proposed Funding Method
- Impact of MVLF contingency language
- Parity Issue

10

Under Faculty
 Review
 have not
 Done it
 3 yrs

Budget Priorities
 Labor Priorities
 Conf/02

Meet & Confer 2002		
Management Team Recommendations		
	Term	
	Advantages	Disadvantages
3-year:	Most desirable timing Labor accord Establishes labor costs Avoid M & C Economy may improve	Total cost appears high Less discretionary revenue Uncertainty - MVLF Uncertainty - Economy
2-year:	Some backloading costs	Least desirable timing
1-year:	Least risk on revenues Opportunity to reassess revenue & economy	May not reach agreement Potential Labor unrest Back to M & C next year May be more costly long term

Not enough
for vendors

Unilateral
Implementation

11

Meet & Confer 2002						
Management Team Recommendations						
		MEA/127		POA/145		
<u>Year 1/FY 03</u>	Salary	1.0%	12/02	2.0%	7/02	
	Misc.	0.5%	12/02	1.0%	7/02	
	Flex	\$350	7/02	\$350	7/02	
	Ret Health		8/02		8/02	
	Ret	2.5@55	7/02	P/U 1.7%	7/02	
<u>Year 2/FY 04</u>	Salary	3.0%	12/03	3.0%	7/03	
	Misc.	0.5%	12/03	0.5%	7/03	
	Flex	\$350	7/03	\$350	/03	
<u>Year 3/FY 05</u>	Salary	4.0%	12/04	4.0%	7/04	
	Misc.			0.5%	7/04	
	Ret Pickup	1.6% -1.7%	12/04			
	Flex	\$350	7/04	\$350	7/04	

12

Roll-up Costs

Meet & Confer 2002				
Management Team Recommendations				
		<u>MEA/127</u>	<u>POA/145</u>	<u>Total</u>
<u>Year 1/FY 03</u>	Salary	2.08	5.07	7.15
	Misc.	1.04	2.54	3.58
	Flex	2.52	1.07	3.59
	Ret Health	*	*	*
	Ret Pickup		**	**
	Ret Formula	1.67		1.67
	Total	7.31	8.68	15.99
<u>Year 2/FY 04</u>	Salary	6.30	7.92	14.22
	Misc.	1.04	1.32	2.36
	Flex	2.52	1.07	3.59
	Total	12.99	10.31	23.30
<u>Year 3/FY 05</u>	Salary	8.54	10.65	19.19
	Misc.		0.99	0.99
	Ret Pickup**	**		**
	Flex	2.52	1.07	3.59
	Total	18.41	12.71	31.12
3-YEAR TOTAL		38.71	31.70	70.41
* Retiree Health Costs paid from CERS 401(h) Trust and 115 Trust ** Pickup paid from CERS reserve (5 years)-potential future impact to general fund				

How much General Fund
11.98

49.37

Meet & Confer 2002			
Management Team Recommendations			
	<u>MEA/127</u>	<u>POA/145</u>	<u>Total</u>
Year 1/FY 03	7.31	8.68	15.99
Year 2/FY 04	12.99	10.31	23.30
Year 3/FY 05	18.41	12.71	31.12
3-YEAR TOTAL	38.71	31.70	70.41
FUNDING SOURCES			
General Fund	18.41	30.96	49.37
Non-General Funds	20.29	0.74	21.03
TOTAL City Funds	38.70	31.70	70.40
CERS 401(h) Trust (est)			39.20
CERS Employee Contribution Reserve	5.06	9.42	14.48

11
15.99
11.98
4.01



Meet & Confer 2002

Management Team Recommendations

Impacts of:

- Motor Vehicle License Fees Re-opener
 - Impact on ability to reach agreement
 - Impact on ability to achieve multi-year agreements
- Parity
 - Relative Values of packages
 - Total package

15



Meet & Confer 2002

Authorization of Final Economic Bargaining Authority (Action)

Management Team Recommendation:

- Authorize removal of MVLF contingency language
- Authorize the proposed three year agreement as the City's final economic bargaining position
- Condition all retirement enhancements on removal of the "trigger" in the "Managers Proposal regarding CERS funding ratio"
 - Retiree health
 - Increase in Pickups
 - Increase in General Member Formula

*If CERS funding ratio drops below 82.3% (currently 89.9%)
City must pay full actuarial rate, \$25m more annually.

16

From other
source
that
rest of
doc

Frage *U* *Hande*
Weir - Lifeguard

Meet & Confer 2002

Management Team Recommendations

Impacts of:

- Motor Vehicle License Fees Re-opener
 - Impact on ability to reach agreement
 - Impact on ability to achieve multi-year agreements
- Parity
 - Relative Values of packages
 - Total package

9:00 AM

FLAX

Meet & Confer 2002

Authorization of Final Economic Bargaining Authority (Action)

Management Team Recommendation:

- Authorize removal of MVLF contingency language
- Authorize the proposed three year agreement as the City's final economic bargaining position
- Condition all retirement enhancements on removal of the "trigger" in the "Managers Proposal regarding CERS funding ratio*"
 - Retiree health
 - Increase in Pickups (*Contingent on funds available in reserve funds*)
 - Increase in General Member Formula

More of fund
Life guards
Went as

*If CERS funding ratio drops below 82.3% (currently 89.9%)
 City must pay full actuarial rate, \$25m more annually.

Union + Ret. Bal

Luzung - too risky!
Weir - Lifeguards.. 4/15/02

safety -
4/16/02

decision continued to



Meet & Confer 2002

AGENDA

1. Status of Negotiations (Info)
2. Management Team Recommendations for Final Economic Bargaining Authority (Action)
3. *Next Steps* (Info)
4. SB402 – Binding Arbitration (Info)
5. Economic Data (Info)

17



Meet & Confer 2002

Next Steps

- City Negotiators will resume negotiations, moving toward City's final bargaining position, attempting to reach agreements (MOU's)
- City Negotiators will return in Closed Session with status reports, and to seek specific authorization for "special salary adjustments" and other miscellaneous issues

18



Meet & Confer 2002

AGENDA

1. Status of Negotiations (Info)
2. Management Team Recommendations for Final Economic Bargaining Authority (Action)
3. Next Steps (Info)
4. *SB402 – Binding Arbitration* (Info)
5. Economic Data (Info)

19



Meet & Confer 2002

SB402 – BINDING ARBITRATION (Info)

- Introduction
- Discussion
- California Constitution/Charter Cities
- Appellate Court Cases
- Trial Court Cases
- Conclusion

20



Meet & Confer 2002

AGENDA

1. Status of Negotiations (Info)
2. Management Team Recommendations for Final Economic Bargaining Authority (Action)
3. Next Steps (Info)
4. SB402 – Binding Arbitration (Info)
5. *Economic Data* (Info)

21



Meet & Confer 2002

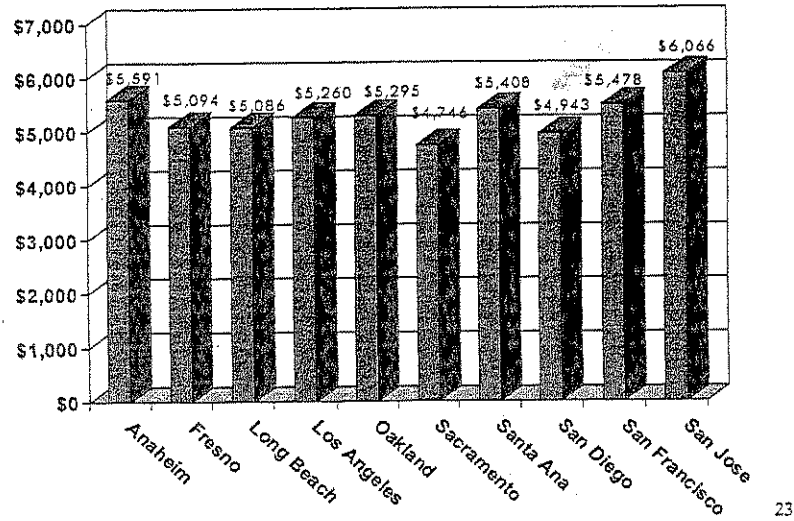
Economic Data

- Salary Comparisons for Police & Fire
- Bargaining Unit Counts by Salary Range
- Pay in Lieu Data

22



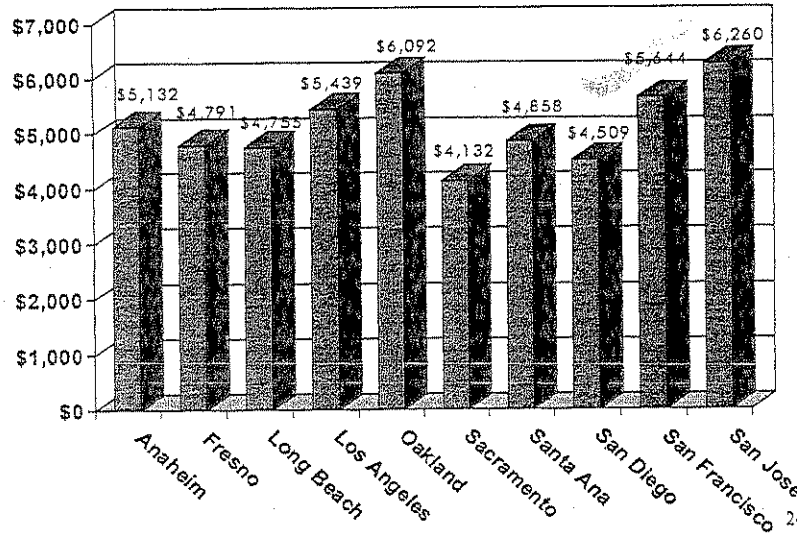
Police Officer Salary Comparisons



23



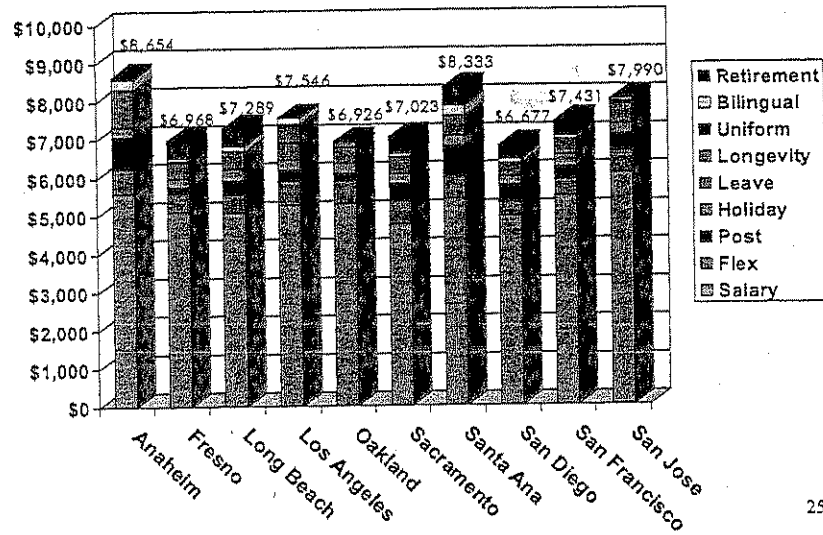
Fire Fighter Salary Comparisons



24

Police Officer Comparisons

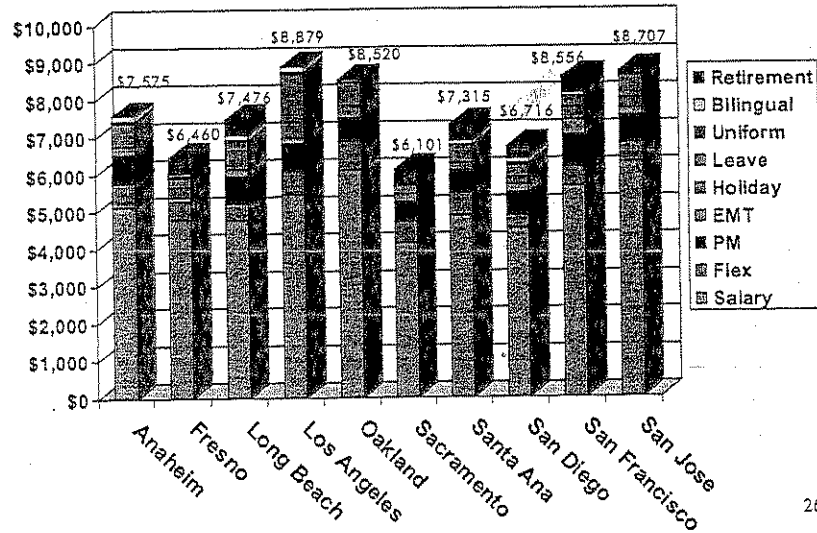
Average Monthly Compensation



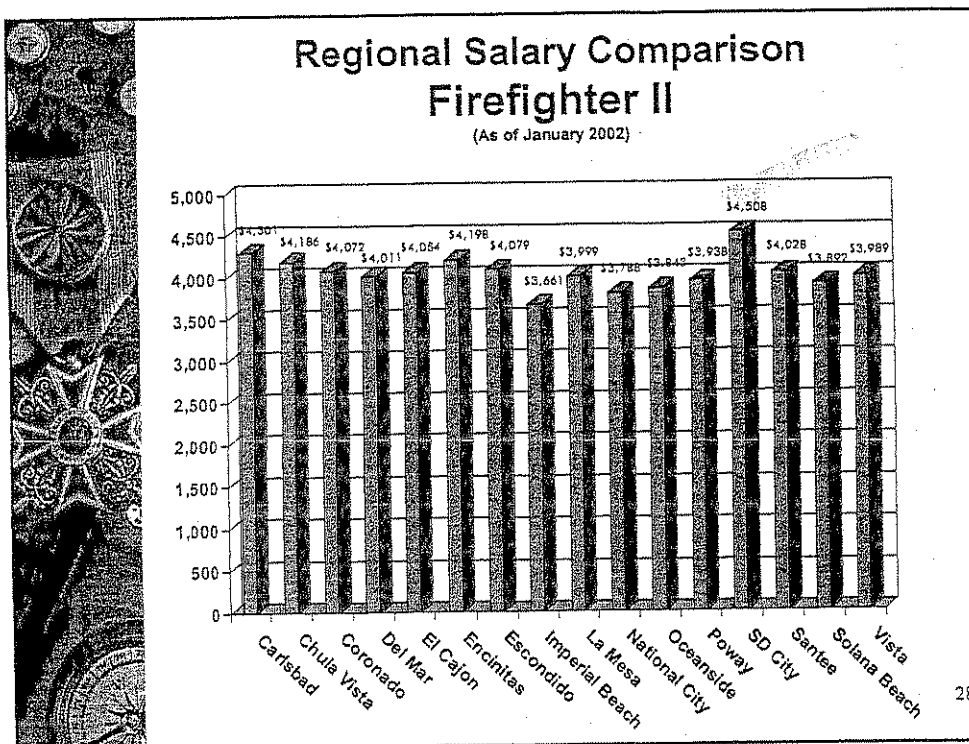
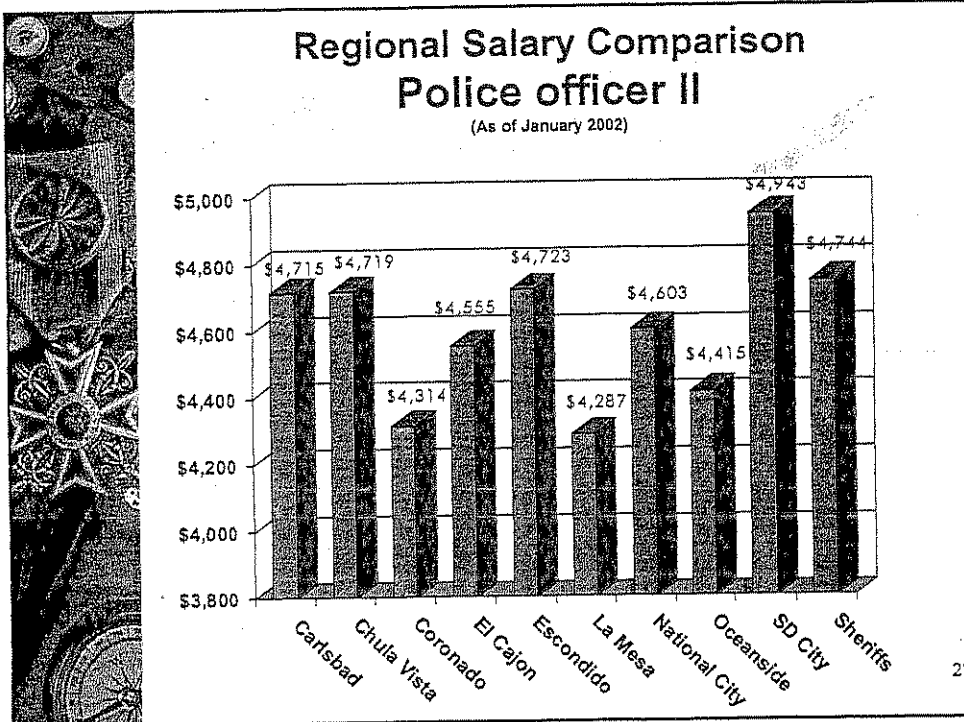
25

Fire Fighter Comparisons

Average Monthly Compensation

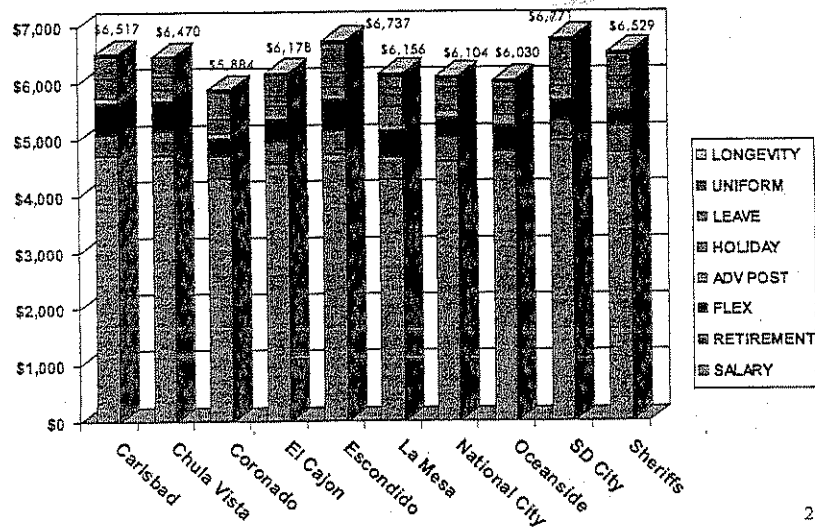


26





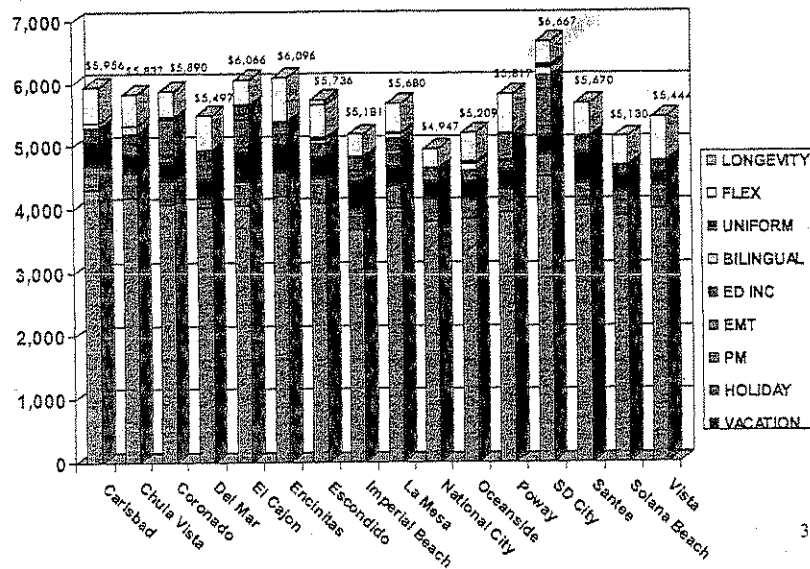
Regional Total Compensation Comparison Police officer II (As of January 2002)



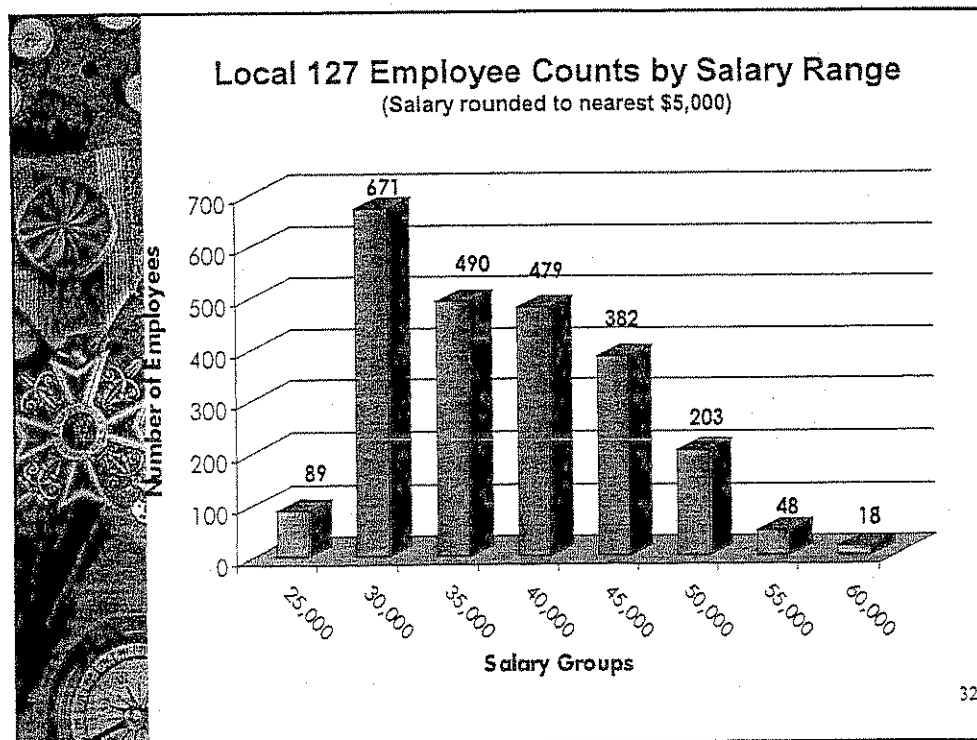
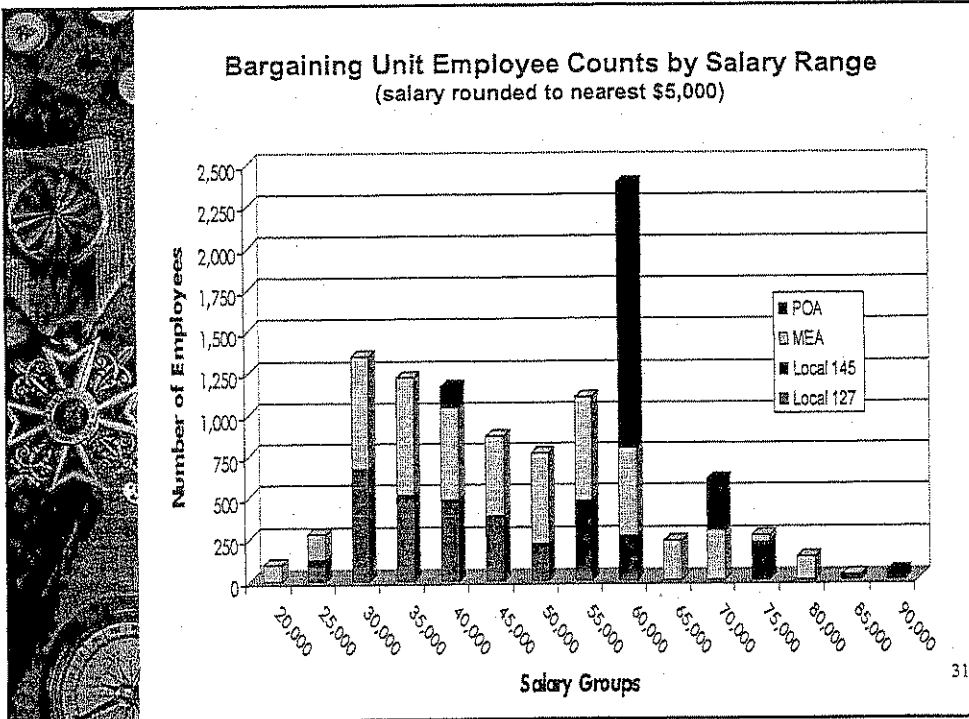
29



Regional Total Compensation Comparison Firefighter II (As of January 2002)

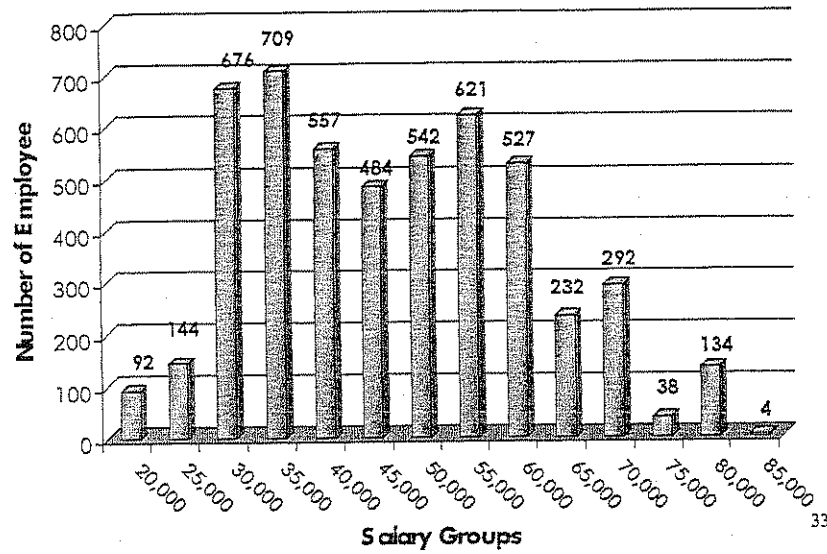


30

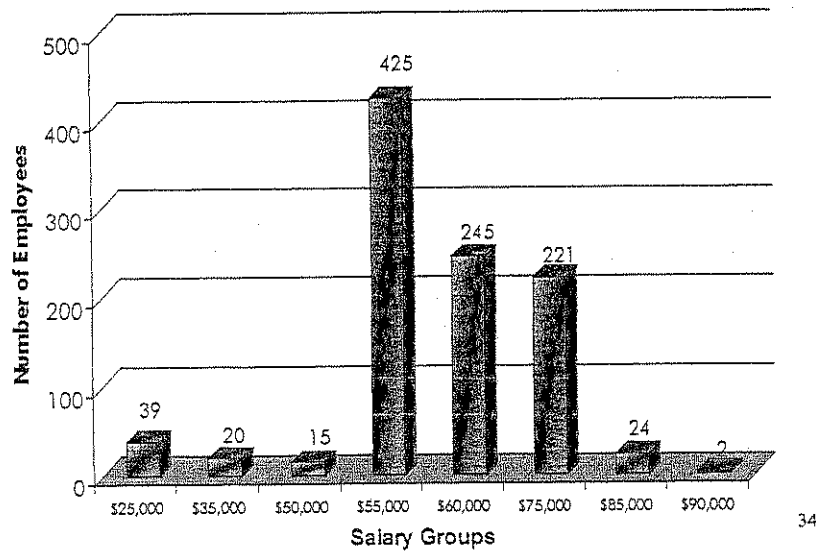


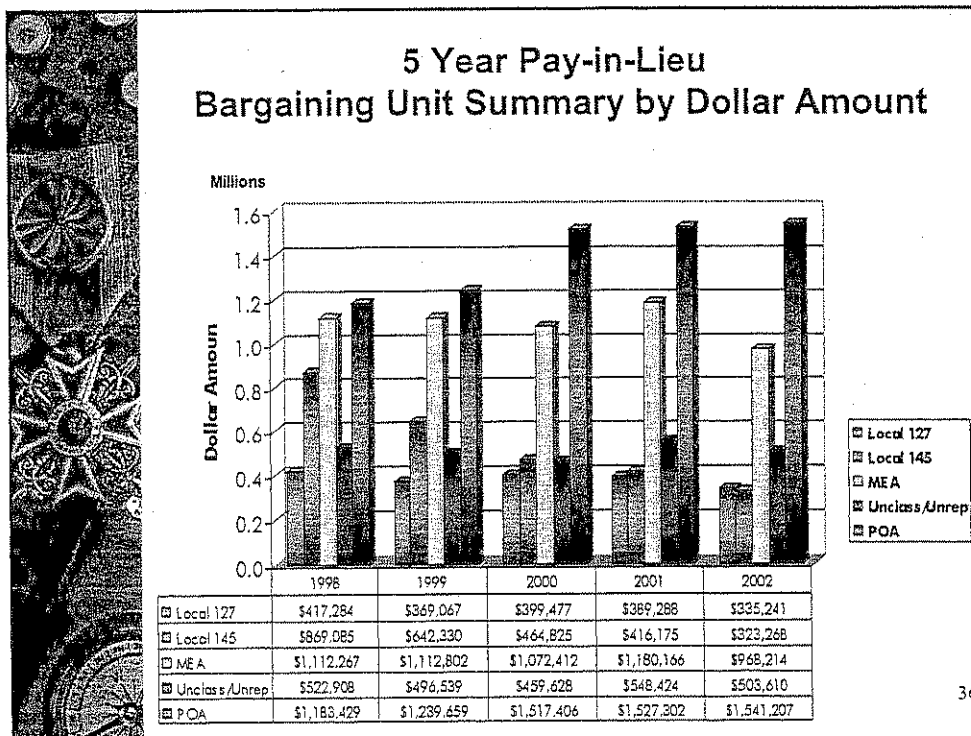
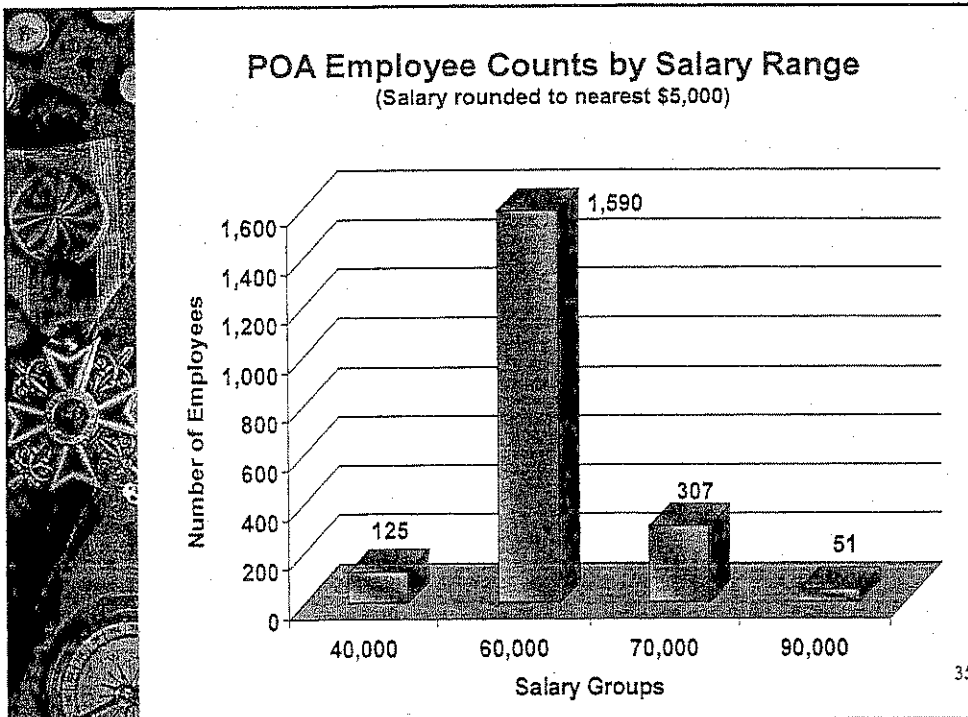


MEA Employee Counts by Salary Range
(Salary rounded to nearest \$5,000)

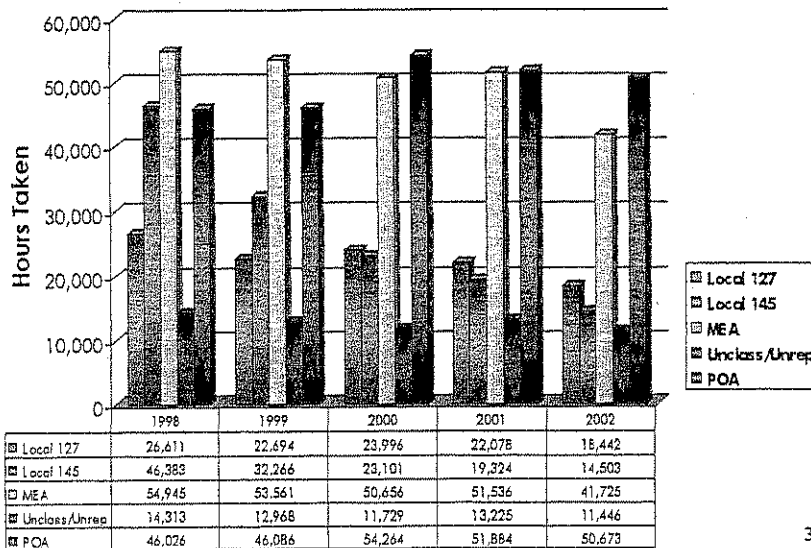


Local 145 Employee Counts by Salary Range
(Salary rounded to nearest \$5,000)





5 Year Pay-in-Lieu Bargaining Unit Summary by Hours



37

Meet & Confer 2002

Employer Contribution Rate Stabilization Plan

Period	PUC Rate	Actual Rate	City Paid Rate	Difference %	Difference \$	Earnings
FY96	8.60%	8.60%	7.08%	1.52%	\$5.33m	\$150.4m
FY97	10.87%	9.55%	7.33%	3.79%	\$13.88m	\$137.4m
FY98	12.18%*Est	10.87%	7.83%	4.35%	\$16.67m	\$247.4m
FY99	12.18%*Est	10.86%	8.33%	3.85%	\$15.40m	\$189.1m
FY2000	12.18%*Est	11.48%	8.83%	3.35%	\$14.00m	\$415.9m
FY2001	12.18%*Est	11.96%	9.33%	2.85%	\$12.45m	\$168.0m
FY2002	12.18%*Est	12.58%	9.83%	2.35%	\$10.72m	\$ 52.0m est
FY2003	12.18%*Est	15.59%	10.33%	1.85%	\$8.82m	
FY2004	12.18%*Est		10.83%	1.35%	\$6.73m	
FY2005	12.18%*Est		11.33%	.85%	\$4.43m	
FY2006	12.18%*Est		11.83%	.35%	\$1.91m	
FY2007	12.18%*Est		12.18%	-0-	-0-	
FY2008	13.00%*		13.00%	-0-	-0-	
TOTAL					\$110.35	

38

Meet & Confer 2002

Retirement System and Meet & Confer

The "Manager's Proposal" effective 1/97:

Earnings Compared with Funding Ratio

FY96	\$150.4 m	91.4%
FY97	\$137.4 m	93.3%
FY98	\$247.4 m	93.6%
FY99	\$189.1 m	93.2%
FY00	\$415.9 m	97.3%
FY01	\$168.0 m	89.9%
FY02 Est.	\$50 to \$60 m	?

- \$105 m reserve would drop to = 85.6%
- Corbett, if amortized = 83.1%
- "Trigger" in Manager's Proposal
requiring City to pay full rate = 82.3%
(a potential \$40m annual impact)

~~A~~ 39

EXHIBIT 16

CLOSED SESSION REPORT ☒ CITY OF SAN DIEGO ☐ OTHER (See below)

NOT A PUBLIC RECORD

until the information in this box is completed,
signed by an authorized representative of the
City Attorney's Office and stamped in the space below

TITLE Labor negotiations - meet and confer
labor negotiations DCA Rivo

DATE OF CLOSED SESSION: 4/29, 2002

Date Litigation Concluded: _____, 2002

By: _____

Title: _____

(STAMP HERE)

☐ **REAL PROPERTY NEGOTIATIONS** G.C. § 54956.8

- ☐ Ongoing/Status Report
☐ Final Approval of Agreement (D)
Substance of Agreement: _____
☐ Final approval dependent on other party

☐ **LITIGATION** G.C. § 54956.9

- ☐ (a) Pending ☐ (b)(1) Significant Exposure ☐ (b)(2) Authorizing Session ☐ (c) Initiating
☐ Defend Litigation (D) ☐ Status Report
☐ Seek Appellate Review (D) ☐ Refrain from Seeking Appellate Review (D)
☐ Amicus Participation ☐ Other (see below)
☐ Settlement Offer To Be Conveyed ☐ Acceptance of Signed Settlement Offer (D)
☐ Initiate Litigation or Intervene (D) ☐ Contingent Acceptance of Signed Offer
☐ Non-Disclosure of Litigation Recommended (check if yes) ☐ See Report
☐ Interfere with service of process ☐ Impair ability to settle

☐ **CLAIMS DISPOSITION** G.C. § 54956.95

- ☐ Offer Made ☐ Offer Accepted ☐ See Report

☐ **DECISION ON EMPLOYMENT STATUS** G.C. § 54957

- ☐ Appoint (D) ☐ Employ (D) ☐ Accept Resignation (D) ☐ Discipline (D)
☐ Dismissal or Nonrenewal (disclose after exhaustion of administrative remedies) ☐ Performance Evaluation
Title: _____
Change in Compensation: _____

☒ **LABOR NEGOTIATIONS** G.C. § 54957.6

- ☒ Ongoing/Status Report
☐ Final Approval of Agreement (D) Other Party to Negotiation: _____
Item Approved: _____

ATTENDEES:

- ☒ City Mgr ☒ Asst City Mgr ☐ Sr Dep City Mgr (Loveland)
☒ City Atty ☒ Exec Asst City Atty ☐ Asst City Atty (Girard)
☒ City Auditor
☒ Other: Terri Webster, Pat Frazier, Bruce Herring,

☐ **PUBLIC SECURITY THREAT** G.C. § 54957

Stan Griffith, Dan Kelley, Rich Snapper, Mike Rivo,

Sharon Marshall, Elmer Hean

☒ **VOTE** ☐ **NO VOTE NECESSARY**

COMMENTS: Misc labor issues.

Name	Yea	No	Absent
District 1	X		
District 2	X		
District 3	X		
District 4	X		
District 5	X		
District 6	X		
District 7	X		
District 8	X		
Mayor	X		
Voting Tally	9	0	0

APPROVED: 

NOTE: (D) DISCLOSE FOLLOWING CLOSED SESSION

CLOSED SESSION REPORT [X] CITY OF SAN DIEGO [] OTHER (See below)

NOT A PUBLIC RECORD

until the information in this box is completed,
signed by an authorized representative of the
City Attorney's Office and stamped in the space below

TITLE Labor negotiations - meet and confer
labor negotiations DCA Rivo

DATE OF CLOSED SESSION: 4/29, 2002

☐ **REAL PROPERTY NEGOTIATIONS** G.C. § 54956.8

Date Litigation Concluded: _____, 200

☐ Ongoing/Status Report

☐ Final Approval of Agreement (D)

By: _____

Substance of Agreement: _____

☐ Final approval dependent on other party

Title: _____

☐ **LITIGATION** G.C. § 54956.9

(STAMP HERE)

☐ (a) Pending ☐ (b)(1) Significant Exposure ☐ (b)(2) Authorizing Session ☐ (c) Initiating

☐ Defend Litigation (D)

☐ Status Report

☐ Seek Appellate Review (D)

☐ Refrain from Seeking Appellate Review (D)

☐ Amicus Participation

☐ Other (see below)

☐ Settlement Offer To Be Conveyed

☐ Acceptance of Signed Settlement Offer (D)

☐ Initiate Litigation or Intervene (D)

☐ Contingent Acceptance of Signed Offer

☐ Non-Disclosure of Litigation Recommended (check if yes): ☐ See Report

☐ Interfere with service of process ☐ Impair ability to settle

☐ **CLAIMS DISPOSITION** G.C. § 54956.95

☐ Offer Made

☐ Offer Accepted

☐ See Report

☐ **DECISION ON EMPLOYMENT STATUS** G.C. § 54957

☐ Appoint (D)

☐ Employ (D)

☐ Accept Resignation (D)

☐ Discipline (D)

☐ Dismissal or Nonrenewal (disclose after exhaustion of administrative remedies) ☐ Performance Evaluation

Title: _____

Change in Compensation: _____

ATTENDEES:

☒ City Mgr ☒ Asst City Mgr ☐ Sr Dep City Mgr (Loveland)

☒ City Atty ☒ Exec Asst City Atty ☐ Asst City Atty (Girard)

☒ City Auditor

☐ Other Terri Webster, Pat Frazier,
Bruce Herring, Stan Kulis, Dan Kelley,
Lick Snappy, Mike Rivo, Sharon
Marshall, Elmer Heap

☒ **LABOR NEGOTIATIONS** G.C. § 54957.6

☒ Ongoing/Status Report

☐ Final Approval of Agreement (D) Other Party to Negotiation: _____

Item Approved: _____

☐ **PUBLIC SECURITY THREAT** G.C. § 54957

☐ **VOTE**

☐ **NO VOTE NECESSARY**

COMMENTS: _____

Name	Yea	No	Absent
District 1			
District 2			
District 3			
District 4			
District 5			
District 6			
District 7			
District 8			
Mayor			
Voting Tally			

SSA - W Program 9-0
Police Admin
Labr Program

TOP 3
 SSA Mgr's Rel. 9-0
 127

POA Harbor Unit (4% increase) 9-0
 POA Safety Retirement Status 9-0
 Local 145 Heavy Rescue / USAR 9-0

MEA Div Team, Asbestos Team Pay,
P.E. Scooter Pay, Leth. Pay,
Uniform - Huda, Refine Colled
Supervisor, Uniform - Park 9-0

APPROVED: Baron

MEA Page 12 - 2nd Bar 9-0
 127 Class A+B license

NOTE: (D) DISCLOSE FOLLOWING CLOSED SESSION

Senior Main. Equipment 9-0
Page 1
 - 2.5 D 55 (B. Fries approved) 8-1
 - Retire Health Trust Funding 9-0
Authority (Page 10)
 - 13th Check

MEA

190 12/02

290 7/02

290 6/03

290 12/03

390 12/04

290 4/05

City of San Diego

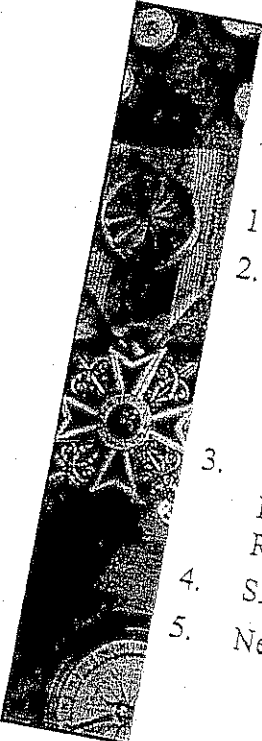
Meet & Confer 2002

Closed Session

April 29, 2002

1

Meet & Confer 2002 Agenda

- 
1. Status of Negotiations (Information)
 2. Management Team Recommendations (Action)
 - Special Salary Adjustments
 - Other/Miscellaneous Items
 - Retirement Issues
 3. Civil Service Commission Recommendations:
Report back on three Classes
 4. SB 402 – Binding Arbitration (Information)
 5. Next Steps (Information)

2




Meet & Confer 2002

Status of Negotiations

- POA
- Local 145
- MEA
- Local 127

3



Status of Negotiations Bargaining Authority

April 16

- ♦ Authorized removal of MVLF contingency
- ♦ Authorized 3-year economic package
- ♦ Conditioned all retirement enhancement on removal of the "trigger" in "Manager's Proposal" regarding CERS funding ratio
 - Retiree health
 - Increase in employee "pickups"
 - Increase in General Member formula (2.5% at 55)

April 22

- ♦ Authorized SSA's and other miscellaneous items all within the April 16 total economic authority
- ♦ Added 3 SSA's and requested more info on 3 others

4

Meet & Confer 2002

Council Authorized Three Year Proposal

		<u>MEA/127</u>		<u>POA/145</u>	
<u>Year 1/FY 03</u>	Salary	1.0%	12/02	2.0%	7/02
	Misc.	0.5%	12/02	1.0%	7/02
	Flex	\$350	7/02	\$350	7/02
	Ret Health		8/02		8/02
	Ret	2.5% @ 55	7/02	P/U 1.7%	7/02
<u>Year 2/FY 04</u>	Salary	3.0%	12/03	3.0%	7/03
	Misc.	0.5%	12/03	0.5%	7/03
	Flex	\$350	7/03	\$350	7/03
<u>Year 3/FY 05</u>	Salary	4.0%	12/04	4.0%	7/04
	Misc.			0.5%	7/04
	Ret Pickup	1.6% - 1.7%	12/04		
	Flex	\$350	7/04	\$350	7/04

Meet & Confer 2002

Cost of Council-Authorized Three Year Proposal

		<u>MEA/127</u>	<u>POA/145</u>	<u>Total</u>
<u>Year 1/FY 03</u>	Salary	2.08	5.07	7.15
	Misc.	1.04	2.54	3.58
	Flex	2.52	1.07	3.59
	Ret Health	*	*	*
	Ret Pickup		**	**
	Ret Formula	1.67		1.67
	Total	7.31	8.68	15.99
<u>Year 2/FY 04</u>	Salary	6.30	7.92	14.22
	Misc.	1.04	1.32	2.36
	Flex	2.52	1.07	3.59
	Total	12.99	10.31	23.30
<u>Year 3/FY 05</u>	Salary	8.54	10.65	19.19
	Misc.		0.99	0.99
	Ret Pickup**	**		**
	Flex	2.52	1.07	3.59
	Total	18.41	12.71	31.12
<u>3-YEAR TOTAL</u>		38.71	31.70	70.41

* Retiree Health Costs paid from CERS 401(h) Trust and 115 Trust

** Pickup paid from CERS reserve (5 years)-potential future impact to general fund

6

Meet & Confer 2002

Proposal Funding

	<u>MEA/127</u>	<u>POA/145</u>	<u>Total</u>
Year 1/FY 03	7.31	8.68	15.99
Year 2/FY 04	12.99	10.31	23.30
Year 3/FY 05	<u>18.41</u>	<u>12.71</u>	<u>31.12</u>
3-YEAR TOTAL	38.71	31.70	70.41
<u>FUNDING SOURCES</u>			
General Fund	18.41	30.96	49.37
Non-General Funds	<u>20.29</u>	<u>0.74</u>	<u>21.03</u>
TOTAL City Funds	38.70	31.70	70.40
CERS 401(h) Trust			39.20
CERS Employee Contribution Reserve	5.06	9.42	14.48

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Meet & Confer 2002

Retirement Pick-up Proposal Costs

	<u>Current</u>	<u>Proposed</u>	<u>Total</u>	<u>Cost</u>
POA/Local 145	7.3%	1.7%	9.0%	3.14M
MEA/Local 127	5.4%	1.6%	7.0%	4.96M
MEA/Lifeguards	7.3%	1.7%	9.0%	.10M

To be paid from Employee Retirement Contribution Reserve.
Reserve Balance is \$40,650,714 (6/30/02). Reserve will last
through 2005 if begun 7/02 for all unions

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Meet & Confer 2002

Status of Negotiations

POA

- Responded to 3 year proposal
- Minimal change in salary proposal
- Responded with “split” salary increase in year 1
- Significant discussions about falling behind in compensation among other jurisdictions
- Introduced interest in additional “pickup” v. salary
- Many tentative agreements (TA’s), withdrawals
- Progress on operational issues

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Meet & Confer 2002

Status of Negotiations

Local 145

- Virtually no progress in formal process
- President discussing a 3-year “deal” informally with costs spread
- Strong interest in no employee cost for retirement
- Significant discussions about falling behind in compensation among other jurisdictions

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Meet & Confer 2002

Status of Negotiations

MEA

- Parity in Salary % or "no agreement"
- Can accept later implementation date of % increase
- Can accept less improvement in "pickup"
- Modified Agency Shop (MEA)
- Additional Annual Leave Accrual

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Meet & Confer 2002

Status of Negotiations

Local 127

- Parity also a major issue
- Agency shop/card check-off for election
- Classification and Compensation Study
- Contracting Out

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Meet & Confer 2002

1. Status of Negotiations (Information)
2. Management Team Recommendations (Action)
 - *Special Salary Adjustments*
 - Other/Miscellaneous Items
 - Retirement Issues
3. Civil Service Commission
Recommendations:
Report back on three Classes (Information)
4. SB 402 – Binding Arbitration (Information)
5. Next Steps (Information)

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SPECIAL SALARY ADJUSTMENTS (SSA) Recommended Adjustments MEA

Classification	Annual Salary	% Requested	Pers. Rec	CSC Action	Mgr's Rec	Cost	
						General Fund	Non General Fund
Area Manager II (24)	\$51,444	10%	Deny	10%	5%	\$79,258	0
City Attorney Investigator (25)	\$58,104	5%	Deny	Deny	5%	\$93,796	0
Grounds Maintenance Manager (25)	\$51,444	10%	Deny	Deny	5%	\$42,502	\$44,483
Literacy Program Administrator (1)	\$69,984	9%	N/A	N/A	9%	\$8,376	0
Police Dispatch Administrator (1)	New \$64,800	N/A	N/A	N/A	4.6%	\$3,000	0
Lakes Program Manager (1)	\$69,984	22%	--	--	5%	0	\$4,609
RECOMMENDED SSA SUBTOTAL						\$226,932	\$49,092
MEA TOTALS TO DATE						\$577,261	\$101,764
PREVIOUSLY AUTHORIZED						\$800,000	\$700,000

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SPECIAL SALARY ADJUSTMENTS (SSA) Recommended Adjustments Local 127

Classification	Annual Salary	% Requested	Pers. Rec	CSC Action	Mgr's Rec	Cost	
						General Fund	Non General Fund
Sr. Stable Attendant (1)	\$32,940	19%	N/A	N/A	10%	\$4,533	0
Water Treatment Plant Operator (5)	\$55,728	25%	N/A	N/A	10%	0	\$32,598
Power Plant Operator (5)	\$48,948	N/A	N/A	N/A	5%	0	\$16,299
Tree Trimmer (4)	\$34,356	20%	Deny	Deny	5%	0	\$9,469
Tree Maintenance Crew Leader (4)	\$34,356	20%	Deny	Deny	10%	0	\$18,938
SSA SUBTOTAL						\$4,533	\$77,304
LOCAL 127 TOTAL TO DATE						\$154,649	\$285,227
PREVIOUSLY AUTHORIZED						\$200,000	\$400,000

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Meet & Confer 2002

1. Status of Negotiations (Information)
2. Management Team Recommendations (Action)
 - Special Salary Adjustments
 - Other/Miscellaneous Items
 - Retirement Issues
3. Civil Service Commission Recommendations:
Report back on three Classes (Information)
4. SB 402 – Binding Arbitration (Information)
5. Next Steps (Information)

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Management Team Recommendations POA

SPECIALTY PAY	PROPOSAL	FY 2003 GENERAL FUND COST
Harbor Unit Pay (7)	New - 4%	\$43,715
RECOMMENDED MISCELLANEOUS		\$43,715
POA TOTAL TO DATE		\$1,142,802
PREVIOUSLY AUTHORIZED		\$1.73M

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Management Team Recommendations POA

Safety Retirement Status for Police Recruits

- Police officers are classified as General Members and pay into SPSP, until such time as they become sworn (16 weeks after start of police academy)
- Firefighters and Lifeguards are classified as Safety Members in CERS on first day of respective academies
- The specific language is found in Municipal Code Section 24.0103

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Management Team Recommendations POA

Municipal Code Section 24.0103

- "Safety member" means any person who is either a sworn officer of the Police Department of the City of San Diego employed since July 1, 1946
- a uniformed member of the Fire Department of the City of San Diego Employed since July 1, 1946, or,
- a full-time employed lifeguard of the City of San Diego....

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Management Team Recommendations POA

Two issues raised by POA:

1. Municipal Code provides for inconsistent application of CERS Safety Member status when compared to fire and lifeguard Recruits
2. Recent police recruits were not classified as Safety members in CERS when they were sworn, but after field training and upon their graduation from the police academy

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Management Team Recommendations POA

Police Recruits:

1. Authorize corrections for Police Recruits to comply with current Municipal Code
2. Prospectively authorize safety status for Police Recruits on Day 1 of academy consistent with Fire and Life Safety

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Management Team Recommendations Local 145

SPECIALTY PAY	PROPOSAL	FY 2003 GENERAL FUND COST
Heavy Rescue/USAR Station Pay (36)	Increase 5%, from 5% to 10%	\$298,751
RECOMMENDED MISCELLANEOUS		\$298,751
LOCAL 145 TOTAL TO DATE		\$328,104
PREVIOUSLY AUTHORIZED		\$1.75M

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Management Team Recommendations MEA

SPECIALTY PAY	PROPOSAL	FY 2003 GENERAL FUND COST	FY 2003 NON- GENERAL FUND COST
Dive Team Pay (-)	Increase 5%, from 5% to 10%	\$29,600	0
Asbestos Containment Team Pay	Increase .48/hr, from .77/hr to \$1.25/hr	0	\$4,992
Parking Enforcement Scooter Pay (60)	Increase .58/hr, from .32/hr to .90/hr	\$42,224	0
Certification Pay	Increase all certification pays .25/hr	\$34,900	\$146,228
Uniforms - Area Refuse Collection Supervisors (13)	Increase \$134/yr, from \$366 to \$500	\$938	\$1,742
Uniforms - Park Ranger & Sr. Park Ranger(28)	Increase \$100/yr, from \$680 to \$780	\$2,800	0

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Management Team Recommendations MEA

SPECIALTY PAY	PROPOSAL	FY 2003 GENERAL FUND COST	FY 2003 NON- GENERAL FUND COST
Uniforms - Parking Enforcement Officer & Supervisor (66)	Increase \$45/yr, from \$552 to \$597	\$2,970	0
Uniforms - Special Event Traffic Controller & Supervisor (78)	Increase \$100/yr, from \$348 to \$448	\$7,800	0
Uniforms - PD Code Compliance Officer & Supervisor (14)	Increase \$100/yr, from \$300 to \$400	\$1,400	0
Uniforms - Auto Messenger (27)	NEW - \$250/yr allowance	\$3,000	\$3,750
RECOMMENDED MISCELLANEOUS		\$125,632	\$156,712
MEA TOTAL TO DATE		\$377,261	\$101,764
PREVIOUSLY AUTHORIZED		\$800,000	\$700,000
TOTALS		\$1.5 M	

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Management Team Recommendations Local 127

SPECIALTY PAY	PROPOSAL	FY 2003 GENERAL FUND COST	FY 2003 NON- GENERAL FUND COST
Class A/B License (188)	Increase .50/hr	\$1,352	\$127,920
Sewer Maintenance Equipment Operator 1 (39)	New - 5%	0	\$103,205
RECOMMENDED MISCELLANEOUS		\$1,352	\$231,125
LOCAL 127 TOTAL TO DATE		\$154,649	\$ 285,227
PREVIOUSLY AUTHORIZED		\$200,000	\$400,000
TOTAL		---\$5.6M	

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Meet & Confer 2002

1. Status of Negotiations (Information)
2. Management Team Recommendations (Action)
 - Special Salary Adjustments
 - Other/Miscellaneous Items
 - Retirement Issues
3. Civil Service Commission
Recommendations:
Report back on three Classes (Information)
4. SB 402 - Binding Arbitration (Information)
5. Next Steps (Information)

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Meet & Confer 2002

Retirement Issues:

- Funding Ratio Impact on City Contribution (Info)
- 2.5% at 55 General Member Formula (Action)
- Increases in Employee Pick-ups (Info)
- Retiree Health Insurance and Funding (Action)
- Authority to Pay "13th" Check to Retirees (Action)
- Presidential Leave and Retirement Benefits (Action)

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Meet & Confer 2002

Funding Ratio Impact on City Contribution

1997 Manager's Proposal

1. Increased formulas for all employee groups
2. Created Retiree Health Benefit within CERS
3. Created DROP Program
4. Created "corridor" plan for city contribution rates
 1. annual employer rate increases capped at 0.50%
 2. less than actuarially determined rate
 3. has created "unfunded" liability
 4. Included "trigger" if funding ratio dropped 10% (to 82.3%), city pays full actuarial rate (FY02 would be 15.59% v. 10.33% - approximately +\$25m)

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Meet & Confer 2002

Funding Ratio Impact on City Contribution

1997 Manager's Proposal

An annual "*actuarial valuation*" measures the funding status of the system (actuarially computed present value of future retirement liabilities")

FY96	= 91.4%
FY97	= 93.3%
FY98	= 93.6%
FY99	= 93.2%
FY00	= 97.3%
FY01	= 89.9%

A 82.3% funding ratio "triggers" full actuarial city rate

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Meet & Confer 2002

Funding Ratio Impact on City Contribution

1997 Manager's Proposal

Earnings Compared with Funding Ratio

FY96	\$150.4 m	91.4%
FY97	\$137.4 m	93.3%
FY98	\$247.4 m	93.6%
FY99	\$189.1 m	93.2%
FY00	\$415.9 m	97.3%
FY01	\$168.0 m	89.9%
FY02 Est.	\$20 to \$30 m	?

• \$105 m reserve would drop to = 85.6%

• "Trigger" in Manager's Proposal =

82.3%

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Meet & Confer 2002

Management Team has and will:

1. Include contingencies that address the "trigger" concern in all retirement enhancements that create additional unfunded liability.

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Meet & Confer 2002 Agenda

Retirement Issues:

- Funding Ratio Impact on City Contribution (Info)
- 2.5% at 55 General Member Formula (Action)
- Increases in Employee Pick-ups (Info)
- Retiree Health Trust Funding Authority (Action)
- Authority to Pay "13th" Check to Retirees (Action)
- Presidential Leave and Retirement Benefits (Action)

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Meet & Confer 2002

General Member Retirement Formula

	Current %	Proposed %	County %	w/3%COLA
55	2.25	2.50	2.50	
56	2.25	2.50	2.60	
57	2.25	2.50	2.70	
58	2.25	2.50	2.80	
59	2.25	2.50	2.90	
60	2.30	2.55	3.00	
61	2.35	2.60	3.00	
62	2.40	2.65	3.00	
63	2.45	2.70	3.00	
64	2.50	2.75	3.00	
65+	2.55	2.80	3.00	

½ Normal Cost	0.53%*	1.28%	2.44%
Past Liability	41.7m	92.4m	155m

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Meet & Confer 2002

Cost of General Member Retirement Formula Improvement Options

Two Costs for formula improvement:

- Past Liability (.99%) \$41.7M – absorbed by Retirement System upon approval of the CERS Board
- Normal Cost – half of the normal cost (.53%) \$1.67M is borne by the City, the other half is borne by the employees, upon approval of the City Council

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Meet & Confer 2002

Funding the General Member Retirement Formula Improvement Modifications to Previous Authority:

Approve General Member retirement benefit enhancement of 2.5% @ 55, with contingencies that Unions support and CERS Board of Administration agrees to:

- A. Eliminate *or Reduce* the "trigger" established in the 1997 Manager's Proposal to 75%
- B. If funding ratio "triggers" an increase in City's contribution rate, *phase in over 5 year period*
- C. Absorb Past Liability of the 2.50% at 55 benefit into CERS assets as an unfunded liability (this will reduce funding ratio 1% to 1.5%)

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Meet & Confer 2002 Agenda

Retirement Issues:

- Funding Ratio Impact on City Contribution (Info)
- 2.5% at 55 General Member Formula (Action)
- *Increases in Employee Pick-ups* (Info)
- Retiree Health Trust Funding Authority (Action)
- Authority to Pay "13th" Check to Retirees (Action)
- Presidential Leave and Retirement Benefits (Action)

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Meet & Confer 2002

Increase in Retirement Pick-ups Authorized on April 16, 2002

	<u>Current</u>	<u>Proposed</u>	<u>Total</u>	<u>Annual Cost</u>
POA/Local 145	7.3%	1.7%	9.0%	3.14m
MEA/Local 127	5.4%	1.6%	7.0%	4.96m
MEA/Lifeguards	7.3%	1.7%	9.0%	<u>0.10m</u>
				\$8.20m

To be paid from Employee Retirement Contribution Reserve, until that reserve is exhausted. Reserve Balance is \$40,650,714 (6/30/02) and is paying for prior employee rate increases as well. Reserve will be exhausted during FY06 if new pickups begun 7/02 for all unions.


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Meet & Confer 2002 Agenda

Retirement Issues:

- Funding Ratio Impact on City Contribution (Info)
- 2.5% at 55 General Member Formula (Action)
- Increases in Employee Pick-ups (Info)
- *Retiree Health Trust Funding Authority* (Action)
- Authority to Pay "13th" Check to Retirees (Action)
- Presidential Leave and Retirement Benefits (Action)

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Retiree Health Benefit & Funding

March 18, 2002 Prior Authority:

- Negotiate amendment to Muni Code to standardize retiree benefit at the City's current PacifiCare PPO rate;
- Negotiate an agreed-to index to determine future increases, *but no more than City's PPO Plan rates.*
- Negotiate a re-opener trigger should a major shift occur in enrollment toward PPO's
- Condition this benefit on the creation of an IRS Section 115 Health Trust within CERS *to be funded from earnings annually* (115 Health Trust not as limiting as current 401(h) Trust)
- Further condition upon support from Unions with CERS to use future CERS earning to fund the 115 Health Trust

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Retiree Health Benefit & Funding

Recommended changes to March 18, 2002 Prior Authority:

- Negotiate amendment to Muni Code to standardize retiree benefit at the City's current PacifiCare PPO rate;
- Use the federal Center for Medicare and Medicaid published index to determine future increases; cap annual increases at 10%.
- Negotiate a re-opener trigger should a major shift occur in enrollment toward PPO's
- Condition this benefit on the creation of an IRS Section 115 Health Trust within CERS to be funded from earnings annually (115 Health Trust not as limiting as current 401(h) Trust)
- Further condition upon support from Unions with CERS to use \$25m from the 100 m FY2000 contingency reserve. This will remove \$25m from CERS assets and reduce the funding ratio by approximately 1%
- Condition this benefit on the same "remove or reduce the trigger" language

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Retiree Health Benefit & Funding

Recommendations already authorized:

- Direct Management Team to negotiate amendment to Muni-Code and MOU's standardizing retiree "health benefit" reimbursement beginning FY03 for all eligible retirees equivalent of PacifiCare PPO:

From PacifiCare HMO	To PacifiCare PPO	
\$4400/year	\$5870/year	Non-Medicare
\$1517/year	\$5529/year	Medicare

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Retiree Health Benefit & Funding

Retiree Health Insurance 401(h) Health Insurance Trust

6/30/01 Balance	=	\$26.755 m
FY01 Earnings Added	=	\$14.317 m
FY02 Costs	=	<u>-\$ 9.012 m</u>
Est. 6/30/02 Balance	=	\$32.060 m
FY02 Earnings Added (Est.)	=	+\$0
Est. FY03 Costs	=	<u>\$11.071 m</u> <u>\$20.989 m</u>
Transfer from FY2000 Reserve to new IRS 115 Health Trust	=	\$25.000 m
FY03 Earnings	=	?

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Meet & Confer 2002



Retirement Issues:

- Funding Ratio Impact on City Contribution (Info)
 - 2.5% at 55 General Member Formula (Action)
 - Increases in Employee Pick-ups (Info)
 - Retiree Health Trust Funding Authority (Action)
 - *Authority to Pay "13th" Check to Retirees* (Action)
 - Presidential Leave and Retirement Benefits (Action)
-


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Authority to Pay 13th Check to Retirees

- 13th Check created as part of litigation settlement on use of earnings; set aside large reserve for paying this benefit
- Any subsequent payments of 13th check are contingent on sufficient earnings each year
- CERS has on its own been crediting interest to reserve
- Fiduciary counsel advised CERS that City Council must authorize use of the increased reserve; insufficient earnings this year to pay

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Authority to Pay 13th Check to Retirees

The Management Team Recommendation:

- Authorize payment of the 13th check from the \$3.5m reserve
- Authorize payment from system assets for the amount above what the reserve will cover (\$250k)
- This action will be presented to the Council prior to September 2002 as an open session item
- Not directly part of Meet and Confer since this only effect retirees; however interrelated to funding issues.

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Meet & Confer 2002

Retirement Issues:

- Funding Ratio Impact on City Contribution (Info)
- 2.5% at 55 General Member Formula (Action)
- Increases in Employee Pick-ups (Info)
- Retiree Health Trust Funding Authority (Action)
- Authority to Pay "13th" Check to Retirees (Action)
- *Presidential Leave and Retirement Benefits* (Action)

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Meet & Confer 2002

Union Presidential Leave & Retirement Benefits Current Status of Union Presidents

Union	President	Status
POA	Bill Farrar	Full-time Union president Unpaid Leave from City.
Local 145	Ron Saathoff	Full-time employee. Release time for Union activities.
MEA	Judie Italiano	Full-time Union president. Unpaid Leave from City.
Local 127	Tony Padilla	Full-time employee. Release time for Union activities.

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Meet & Confer 2002

Union/President	Employment Status	Retirement Issue
MEA Judie Italiano	- Leave of Absence 14 years - Payroll Specialist - Full-time MEA President & General Manager	- Purchased past service - Contributes to Retirement on Union Salary (\$102,128) - Retirement formula = high one year on union salary *
POA Bill Farrar	- Leave of Absence 2 years - Police Officer II - Full time POA President	- All Service Paid - Contributes to Retirement on union salary (\$82,300) - Retirement formula = high one year on union salary *

* Approximate un-funded Liability Judie Italiano \$145,000
Bill Farrar \$56,000

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Meet & Confer 2002

Union Presidential Leave & Retirement Benefits Issue 1 – Current Union Presidents

Management Team Recommendation:

- Authorize inclusion of union salary in high one-year calculation; establish a maximum retirement high one-year salary at level equal to City Labor Relations Manager (approx. \$108k)

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Meet & Confer 2002

Union Presidential Leave & Retirement Benefits Issue 2: Prospective Union Presidents

Management Team Recommendations:

- City to allow each union to have a full-time City-paid union President
- Union President/employee to be paid for normal work period at current level and receive current benefits with no overtime
- Union President to be entitle to retirement benefits consistent with his/her classification and level of compensation
- Union may compensate the union president for services to the union outside the normal work period. Such compensation shall not affect or be a part of City compensation, nor affect or add to retirement benefits
- Subject to final review and clearance by City Attorney

Estimated Cost: \$170,000 annually for two active presidents

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Meet & Confer 2002

Union Presidential Leave & Retirement Benefits Issue 3 – Requested Presidential Leave for Local 145

Union/President	Employment Status	Retirement Issue
Local 145 Ron Saathoff	- Full-time City employee - Fire Captain	- Use City salary and union salary for high one year calculation (approx. \$80k + \$40k = \$120k) - No retirement contribution made on union salary*

*Approximate Unfunded Liability \$100,000

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Meet & Confer 2002

Union Presidential Leave & Retirement Benefits Issue 3 – Requested Presidential Leave for Local 145 Management Team Recommendation:

•Treat current President under Issue 2; do not
authorize inclusion of union salary in high one-
year calculation.

Alternative:

Treat current President under Issue 1, combine
City salary and Union salary; cap retirement high
one-year salary at level equal to City Labor
Relations Manager (approx. \$108k)

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Meet & Confer 2002

1. Status of Negotiations (Information)
2. Management Team Recommendations (Action)
 - Special Salary Adjustments
 - Other/Miscellaneous Items
 - Retirement Issues
3. *Civil Service Commission Recommendations:*
Report back on 3 Classes (Information)
4. SB 402 – Binding Arbitration (Information)
5. Next Steps (Information)

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Meet & Confer 2002

Civil Service Commission Recommendations Report Back on 3 Classes

1. Park Ranger Series
2. Community Service Officers (Police Department)
3. Lifeguard Series

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REQUESTED REPORT ON SPECIFIC SPECIAL SALARY ADJUSTMENTS (SSA)

Classification	Annual Salary	Current % Requested	Manager's Recommendation	General Fund Cost
Park Ranger (21)	\$41,160	18%	5%	\$53,228
Sr. Park Ranger (7)	\$51,444	18%	5%	\$24,292
Comm. Service Officer I (11)	\$35,352	15%	5%	\$24,891
Comm. Service Officer II (60)	\$38,880	15%	5%	\$153,870
TOTAL				\$262,579

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SPECIAL SALARY ADJUSTMENTS (SSA) Lifeguard Series

Classification	Annual Salary	% Requested	Pers. Rec	CSC Action	Mgr's Rec	Cost	
						General Fund	Non General Fund
Lifeguard I, II, III (256)	I - \$35,088 II - \$51,288 III - \$53,868	15%	Deny	Deny	Deny	0	0
Lifeguard Sergeant (13)	\$58,932	20%	Deny	Deny	Deny	0	0
Marine Safety Lieutenant (5)	\$71,004	33%	Deny	Deny	Deny	0	0

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Meet & Confer 2002

Fire Series / Lifeguard Series Comparison

	<u>Battalion Chief</u>	<u>Marine Safety Lieutenant</u>
Annual Salary	\$85,488	\$71,004
Retirement		
Formula	3% @ 50	3% @ 50
Offset	7.3%	7.3%
SPSP	N/A	3.0% Mandatory (\$2,130) 3.05% Voluntary* (\$2,166)
EMT Pay	5%	5%

* Lifeguards hired before 1986 may voluntarily contribute 4.5% to SPSP with City Match

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Meet & Confer 2002

Fire Series / Lifeguard Series Comparison

	<u>Fire Captain</u>	<u>Lifeguard Sergeant</u>
Annual Salary	\$73,362	\$58,932
Retirement		
Formula	3% @ 50	3% @ 50
Offset	7.3%	7.3%
SPSP	N/A	3.0% Mandatory (\$1,768) 3.05% Voluntary* (\$1,797)
EMT Pay	5%	5%

* Lifeguards hired before 1986 may voluntarily contribute 4.5% to SPSP with City Match

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Meet & Confer 2002

Fire Series / Lifeguard Series Comparison

	<u>Fire Engineer</u>	<u>Lifeguard III</u>
Annual Salary	\$61,194	\$53,868
Retirement		
Formula	3% @ 50	3% @ 50
Offset	7.3%	7.3%
SPSP	N/A	3.0% Mandatory (\$1,616) 3.05% Voluntary* (\$1,643)
EMT Pay	5%	5%

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* Lifeguards hired before 1986 may voluntarily contribute 4.5% to SPSP with City Match

Meet & Confer 2002

Fire Series / Lifeguard Series Comparison

	<u>Fire Fighter II</u>	<u>Lifeguard II</u>
Annual Salary	\$54,101	\$51,288
Retirement		
Formula	3% @ 50	3% @ 50
Offset	7.3%	7.3%
SPSP	N/A	3.0% Mandatory (\$1,638) 3.05% Voluntary* (\$1,565)
EMT Pay	5%	5%

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* Lifeguards hired before 1986 may voluntarily contribute 4.5% to SPSP with City Match

Meet & Confer 2002

Cost to upgrade Lifeguard Series to Fire Fighter Series Salaries

<u>Class</u>	<u>New Salary</u>	<u>No.</u>	<u>Annual Increase</u>
Marine Safety Lt.	+\$14,477	x 5	\$ 72,385
Lifeguard Sergeant	+\$14,420	x 14	\$201,880
Lifeguard III	+\$ 7,315	x 15 (0)	\$109,725 (0)
Lifeguard II	+\$ 2,959	x 60	<u>\$177,540</u>
Total Annual Increase			\$561,530

Eliminate SPSP Prospectively - \$306,455

Net Annual Increase + \$255,075

Annual Cost to add SPSP for POA & Local 145 \$11.2m

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Meet & Confer 2002

Cost to upgrade Lifeguard Series to Fire Fighter Series Salaries

L/G Class	L/G Salary	F/F Class Salary	% Difference	Annual Salary Increase	SPSP Loss (Voluntary)	Net
LG Lt.	\$71,004	\$85,488	+20.39%	+\$14,477	-\$4,296	+\$10,181
LG Sgt.	\$58,932	\$73,356	+24.47%	+\$14,420	-\$3,565	+\$10,855
LGIII	\$53,868	\$61,188	+13.58%	+\$7,315	-\$3,259	+\$4,056
LG II	\$51,288	\$54,096	+5.47%	+\$2,959	-\$3,203	-\$244

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Meet & Confer 2002

Cost to upgrade Lifeguard Series
at Fire Fighter Series Salaries

L/G Class	Current L/G Salary	Parity with F/F Class	Additional Cost	Total Cost
LG Lt.	\$71,004	+20.39%	\$14,477 (x5)	\$72,385
LG Sgt.	\$58,932	+24.47%	\$14,420 (x14)	\$201,880
LGIII	\$53,868	+13.58%	\$ 7,315 (x15)	\$109,725
LG II	\$51,288	+5.47%	\$ 2,959 (x60)	\$177,540
Total				\$561,530
SPSP Savings - 6.05%				-\$306,455
Net Increase				+\$255,075

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Meet & Confer 2002

Cost to Give Lifeguard Salary Increases
in Line with Police and Fire

	<u>From</u>	<u>To</u>	<u>Added Cost</u>
Year 1-FY03	1% 12/02	2% 7/02	\$ 117,614
Year 2-FY04	3% 12/03	3% 7/03	\$ 281,974
Year 3-FY05	4% 12/04	4% 7/04	\$ 715,223
3 Year Total			\$1,114,811
Move 1.7% P/U to year 1			\$250,000

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Meet & Confer 2002

1. Status of Negotiations (Information)
2. Management Team Recommendations (Action)
 - Special Salary Adjustments
 - Other/Miscellaneous Items
 - Retirement Issues
3. Civil Service Commission Recommendations:
Report back on three Classes (Information)
4. SB 402 – Binding Arbitration (Information)
5. Next Steps (Information)

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Meet & Confer 2002

Next Steps

- City Negotiators will resume negotiations, moving toward City's final bargaining position, attempting to reach agreements (MOU's)
- City Negotiators will return in Closed Session with status reports, and to seek specific authorization for additional "special salary adjustments" and other miscellaneous issues

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EXHIBIT 17

CLOSED SESSION REPORT ☒ CITY OF SAN DIEGO ☐ OTHER (See below)

TITLE Labor negotiations - meet and confer
labor negotiations DCA Marshall

NOT A PUBLIC RECORD
until the information in this box is completed,
signed by an authorized representative of the
City Attorney's Office and stamped in the space below

DATE OF CLOSED SESSION: 4/16, 2002

☐ **REAL PROPERTY NEGOTIATIONS** G.C. § 54956.8

- ☐ Ongoing/Status Report
☐ Final Approval of Agreement (D)
Substance of Agreement: _____
☐ Final approval dependent on other party

Date Litigation Concluded: _____, 200

By: _____

Title: _____

(STAMP HERE)

☐ **LITIGATION** G.C. § 54956.9

- ☐ (a) Pending ☐ (b)(1) Significant Exposure ☐ (b)(2) Authorizing Session ☐ (c) Initiating
☐ Defend Litigation (D) ☐ Status Report
☐ Seek Appellate Review (D) ☐ Refrain from Seeking Appellate Review (D)
☐ Amicus Participation ☐ Other (see below)
☐ Settlement Offer To Be Conveyed ☐ Acceptance of Signed Settlement Offer (D)
☐ Initiate Litigation or Intervene (D) ☐ Contingent Acceptance of Signed Offer
☐ Non-Disclosure of Litigation Recommended (check if yes): ☐ See Report
☐ Interfere with service of process ☐ Impair ability to settle

☐ **CLAIMS DISPOSITION** G.C. § 54956.95

- ☐ Offer Made ☐ Offer Accepted ☐ See Report

☐ **DECISION ON EMPLOYMENT STATUS** G.C. § 54957

- ☐ Appoint (D) ☐ Employ (D) ☐ Accept Resignation (D) ☐ Discipline (D)
☐ Dismissal or Nonrenewal (disclose after exhaustion of administrative remedies) ☐ Performance Evaluation
Title: _____
Change in Compensation: _____

ATTENDEES:

☒ **LABOR NEGOTIATIONS** G.C. § 54957.6

- ☒ Ongoing/Status Report
☐ Final Approval of Agreement (D) Other Party to Negotiation: _____
Item Approved: _____

- ☒ City Mgr ☒ Asst City Mgr ☐ Sr Dep City Mgr (Loveland)
☐ City Atty ☒ Exec Asst City Atty ☒ Asst City Atty (Girard)
☒ City Auditor
☒ Other Rich Snapper, Bruce Herring, Cathy Lexin,

☐ **PUBLIC SECURITY THREAT** G.C. § 54957

Stan Griffith, Mike Rivo, Elmer Heap, Sharon Marshall,

Mike McGhee, Dan Kelley

☒ **VOTE** ☐ NO VOTE NECESSARY

COMMENTS: Manager recommendation - 3 year proposal

Name	Yea	No	Absent
District 1 S	X		
District 2	X		
District 3		X	
District 4		X	
District 5	X		
District 6	X		
District 7 M	X		
District 8		X	
Mayor	X		
Voting Tally	6	3	0

APPROVED: 

NOTE: (D) DISCLOSE FOLLOWING CLOSED SESSION

CLOSED SESSION REPORT ☒ CITY OF SAN DIEGO ☐ OTHER (See below)

TITLE Labor negotiations - meet and confer
labor negotiations DCA Rivo

NOT A PUBLIC RECORD
 until the information in this box is completed,
 signed by an authorized representative of the
 City Attorney's Office and stamped in the space below

DATE OF CLOSED SESSION: 4/15, 2002

☐ **REAL PROPERTY NEGOTIATIONS** G.C. § 54956.8

☐ Ongoing/Status Report

☐ Final Approval of Agreement (D)

Substance of Agreement: _____

☐ Final approval dependent on other party

Date Litigation Concluded: _____, 200

By: _____

Title: _____

(STAMP HERE)

☐ **LITIGATION** G.C. § 54956.9

☐ (a) Pending ☐ (b)(1) Significant Exposure ☐ (b)(2) Authorizing Session ☐ (c) Initiating

☐ Defend Litigation (D)

☐ Status Report

☐ Seek Appellate Review (D)

☐ Refrain from Seeking Appellate Review (D)

☐ Amicus Participation

☐ Other (see below)

☐ Settlement Offer To Be Conveyed

☐ Acceptance of Signed Settlement Offer (D)

☐ Initiate Litigation or Intervene (D)

☐ Contingent Acceptance of Signed Offer

☐ Non-Disclosure of Litigation Recommended (check if yes): ☐ See Report

☐ Interfere with service of process ☐ Impair ability to settle

☐ **CLAIMS DISPOSITION** G.C. § 54956.95

☐ Offer Made

☐ Offer Accepted

☐ See Report

☐ **DECISION ON EMPLOYMENT STATUS** G.C. § 54957

☐ Appoint (D)

☐ Employ (D)

☐ Accept Resignation (D)

☐ Discipline (D)

☐ Dismissal or Nonrenewal (disclose after exhaustion of administrative remedies) ☐ Performance Evaluation

Title: _____

Change in Compensation: _____

☒ **LABOR NEGOTIATIONS** G.C. § 54957.6

☒ Ongoing/Status Report

☐ Final Approval of Agreement (D) Other Party to Negotiation: _____

Item Approved: _____

ATTENDEES:

☒ City Mgr ☒ Asst City Mgr ☐ Sr Dep City Mgr (Loveland)

☐ City Atty ☒ Exec Asst City Atty ☒ Asst City Atty (Girard)

☒ City Auditor

☒ Other Terri Webster, Rich Snapper, Bruce Herring, Pat Frazier,

☐ **PUBLIC SECURITY THREAT** G.C. § 54957

Mike Rivo, Elmer Heap, Sharon Marshall, Bill Lopez,

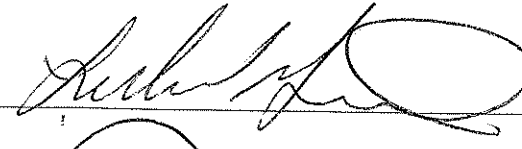
Cathy Lexin, Dan Kelley, Mike McGhee

☐ VOTE

☐ NO VOTE NECESSARY

COMMENTS: _____

Name	Yea	No	Absent
District 1			
District 2			
District 3			
District 4			
District 5			
District 6			
District 7			
District 8			
Mayor			
Voting Tally			

APPROVED: 

NOTE: (D) DISCLOSE FOLLOWING CLOSED SESSION